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President's Annual Report

FRANK R. COUTANT

BEING the first president of an association gives one complete freedom from precedent. Taking advantage of that freedom, I am making this accounting of stewardship to you.

Because of the wide distribution of our membership over the country, the operation of the Association is left largely in the hands of an Executive Committee. For policies, the Executive Committee consults the Board of Directors. At all times, however, your officers have kept in touch with the desires of the membership through the local chapters and by direct correspondence.

We have been constantly aware of the responsibility that rested on our shoulders to build sound foundations under the new structure. It may now be said that merging the National Association of Marketing Teachers and the American Marketing Society has proved to be successful. Perhaps the best evidences of this are to be found in these facts:

First, the American Marketing Association now has a larger membership than the combined groups that went into the merger.

Second, our treasury balance is larger than the combined funds of the two preceding organizations.

Third, THE JOURNAL OF MARKETING is a more influential publication than the two competitive preceding publications, and has more outside subscribers than both of them.

Fourth, the Association is recognized as the responsible, authoritative voice of the organized teachers and practitioners of scientific marketing, and is consulted constantly as such by business, by universities, and by government officials.

Fifth, business executives are becoming increasingly aware of our profession and the need for our services.

Finally, we have laid the ghost that there are irreconcilable differences in the viewpoints of the teachers and the practitioners of marketing science.

Many members have contributed to the progress made this year. Any attempt to name them individually would be sure to leave out men who deserve recognition fully as much as those I might chance to name.

Convention Activities

Howard Hovde has been a tireless worker in the construction of convention programs throughout the year. Those of you who have ever helped to put a convention together will appreciate what it means to enlist the voluntary coöperation of speakers who are invited to attend at their own expense; to plan a program that will hold attention over four days; and to do the job on a budget that a Scotchman would consider miserly.

In this first year we have held two conventions—one in the Midwest, one in the East. Hovde co-ordinated the program building for both conventions. In addition, he served as Chairman of the Committee of the 10 Allied Social Science organizations which planned this joint convention.

Last June we held a well-attended Midwest Convention in Cleveland for the particular benefit of our Midwest members. It is constitutionally provided that each year there shall be two conventions, one in the Midwest and one in the East. We are pledged to participate in the annual Allied Social Science Associations conventions, held each year between Christmas and New Year's. These conventions alternate between the East and Midwest. Because this year's meeting of the Allied Group is in the East, the 1938 meeting will necessarily be in the Midwest. This means that we shall have an independent Eastern meeting sometime in the mid-year. The time and place will be fixed by your incoming officers. Many of us like our own meetings better than joint sessions; for many others, the Allied Group meeting is preferable, but both groups are provided for in our Convention plans.

Chapters

Active chapters are now functioning in New York, Philadelphia, Washington, Chicago and San Francisco. There is a definite possibility that we may revive the Boston, Cleveland and St. Louis chapters, and good prospects that we shall soon have chapters functioning in Indianapolis and Los Angeles. The establishment and maintenance of a chapter necessitates able local leadership. These chapters are self-governing and self-sustaining. Every encouragement is given to the formation of chapters when your officers are satisfied that local groups will comply with national requirements and be continuing bodies.

Status of Membership

During the year 1937, over 100 new members have joined us, though we have done no special campaigning. In our judgment, the best members are those who come voluntarily, willing to make common cause with us.

We have lost only 32 members since the merger. Other organizations say they expect to lose or replace about 10 per cent of their members every year.

Midyear Meeting at Washington

The midyear meeting of the American Marketing Association will be held at the Mayflower Hotel, Washington, D.C., on Friday and Saturday, May 20 and 21, opening at nine thirty on Friday morning and adjourning Saturday afternoon.

According to the officers, the program which will be mailed to each member in the near future is being prepared primarily for the marketing practitioners in the Association, although the teachers will find the sessions very stimulating. Although the program committee is not yet prepared to make a final announcement, it has been rumored than a top-ranking business man is being invited to survey current marketing practices and that a well-known analyst of current business trends, familiar with marketing facts, will be invited to give his opinion on future business conditions.

Washington is a very delightful city to visit late in May. The Mayflower Hotel, although located in a quiet neighborhood, is convenient to the shops and government offices. A number of members have already indicated their intention of bringing their families with them and of spending the entire weekend in attending the meetings and visiting the many new buildings along the Mall, the Capitol gardens, and Mount Vernon, over the Mount Vernon Memorial Highway.

Indexes for Volumes I and II Now Available

With this issue of THE JOURNAL OF MARKETING indexes are being sent out to all subscribers and members of the American Marketing Association for Volumes I and II of the JOURNAL.

American-Japanese Cotton Goods Agreement

CLAUDIUS T. MURCHISON, *President*
The Cotton-Textile Institute, Inc.

EDITOR'S NOTE: *This timely article was prepared in December, 1937 especially for* THE JOURNAL OF MARKETING. *It gives a clear picture of the complex relationships between official and quasi official regulation of trade.*

REPRESENTATIVES of the American and Japanese cotton-textile industries on January 22, 1937, attached their signatures to an understanding limiting the volume of Japanese exports of cotton piece goods to the United States for a period of two years.

The essential features of the understanding are, first, for the year 1937 the basic quota was put at 155,000,000 square yards and for the year 1938 the basic quota agreed upon was 100,000,000 square yards. An element of elasticity was provided by according the Japanese the privilege of transferring not more than one quarter of the 1938 apportionment to the 1937 quota. This arrangement may be expressed otherwise as follows: The quotas agreed upon for the two-year period constitute a maximum of 255,000,000 square yards. Of this amount the 1937 apportionment should not exceed 180,000,000 square yards or be less than 155,000,000 square yards. Should the Japanese take advantage of this option and export the maximum of 180,000,000 square yards to the United States in 1937 then the 1938 quota automatically becomes 75,000,000 square yards.

The entire responsibility for the administration of the quota arrangement is lodged with the Japanese industry and the agreement in its entirety is predicated on considerations of good faith rather than on those of a contractual and technical character.

Second, should the transshipments of goods of Japanese origin from third countries to the United States tend to render ineffectual this quota arrangement, the amount of such transshipments is to be subtracted from the total permissable quota.

Third, the Japanese not only accepted the principle of quota limitation as applied to piece goods, but also in reference to certain manufactured articles, chiefly of cotton material, such as table cloths, bedspreads, handkerchiefs, cotton gloves, underwear and other specialty items. A joint committee of the two industries was set up for the purpose of negotiating further understandings applicable to these miscellaneous items in case such action should become necessary. This committee is also authorized to adjudicate any administrative problems or questions arising under the existing agreement or any others which may later be entered into.

Fourth, the representatives of the American industry regard the application of this arrangement as rendering unnecessary any action on the part of the United States Government looking toward further restrictions of Japanese cotton textile imports. They also consider the application of these measures will serve to lay the ground work for a reciprocal trade treaty between the governments of the two countries to the advantage of both.

Eleven months have elapsed since the American cotton industry undertook its venture in international trade diplomacy.

The record of those eleven months is a convincing answer to the skeptics who doubted both the possibility and the practicability of an unofficial "gentlemen's agreement" under which the Japanese cotton textile industry would voluntarily limit its shipments of certain cotton fabrics to the United States for two years.

In order to appraise the significance of the piece goods agreement, it is necessary to review the situation confronting the industry preceding the departure of its mission to Japan.

Prior to 1933, exports of cotton textiles from Japan to the United States were relatively unimportant in volume and in effect upon the domestic market. But, in July, 1933, the American industry, in coöperation with the national policy expressed in the National Industrial Recovery Act, assumed heavily increased production costs by sharp reduction of the hours of work and as marked increases in wage rates. The immediate result was to render the industry's domestic market particularly vulnerable to Japanese cotton goods which enjoyed a tremendous competitive advantage in the disparity between the wage standards of the two industries.

The situation is reflected graphically in the statistics of imports of Japanese cotton goods during the years 1933 to 1936 inclusive. For example, from a gross of less then 2,000,000 square yards in 1933, United States imports of Japanese cotton piece goods (unbleached, bleached, printed, dyed or colored) had increased to more than 36,000,000 square yards in 1935 and in 1936 reached a total of more than 75,000,000 square yards.

In another classification, velveteens, imports from Japan increased from 83,765 square yards in 1934 to 1,794,000 square yards in 1935 and about 6,000,000 square yards (representing practically the entire American market for this type of product) in 1936.

The immediate effects of this tremendous increase in imports from Japan, irrespective of the relation of their total volume to the total American production and consumption, were the ever-present threat to the American price structure and the resultant uncertainty and instability which had marked the American market since the influx began.

The situation was aggravated seriously during the last quarter of 1936 when it was reported authoritatively that the volume of Japanese cotton piece goods contracted for or tentatively ordered for delivery in the United States during the first three months of 1937 would aggregate nearly twice the total entries during 1936.

Similarly, increases in the entries of other cotton goods such as bedspreads, gloves, hosiery and handkerchiefs were predicted on the basis of contracts then placed. These reports and predictions were subsequently confirmed in Japan where it was disclosed to the American group that as of January 21, contracts in the hands of Japanese manufacturers for shipments of cotton piece goods aggregated 155,000,000 square yards.

The domestic cotton textile industry in March, 1935, applied under Section 3(e) of the NIRA for the protection which that provision of the Act guaranteed industries whose compliance with code standards placed their products at a competitive disadvantage with those of foreign, lower standard industries. Before the United States Tariff Commission could submit recommendations to the President, the Act was invalidated in May, 1935, by the Supreme Court of the United States.

Notwithstanding the invalidation and the consequent removal of all compulsion, the overwhelming majority of the industry continued voluntarily to maintain the basic standards of the former code. With the protection of Section 3(e) swept away, the industry pressed for relief under Section 336 of the Tariff Act which authorizes the President, on recommendation of the Tariff Commission after investigation, to increase customs duties by a maximum of 50 per cent of the existing rate.

Meanwhile, a "gentlemen's agreement,"

undertaking to control shipments of Japanese cotton goods into the Philippine Islands had been negotiated by the American and Japanese governments. Early in 1936, the State Department sought a similar agreement applicable to the continental United States and progress was being made toward acceptance by the Japanese of a quota limiting their shipments to a total of 45,000,000 square yards annually.

These negotiations, under way for several months with indications of ultimate success, collapsed unexpectedly in May and on the 27th of that month the President ordered an average increase of 42 per cent in customs duties, effective June 20th, on those classifications of cotton goods comprising the bulk of Japanese shipments to the United States.

It was obvious that these increased rates would be ineffective for the purpose in view because they were based on Japanese valuations and thus fell far short of representing the differential between Japanese and American costs. In consequence, it was thought wise at this juncture to seek a more satisfactory solution of the problem through direct negotiation between representatives of the two industries concerned.

With the active but unofficial coöperation of the State Department and of the Japanese Embassy at Washington, arrangements for such negotiations were finally concluded, and on December 24 a group representing the American cotton textile industry sailed from San Francisco. In addition to the president of the Cotton-Textile Institute, the group included Messrs. Donald Comer, Birmingham, Alabama, president of Avondale Mills and then president of the American Association of Cotton Manufacturers; Cason J. Callaway, chairman of Callaway Mills, LaGrange, Georgia; Harry L. Bailey, president of Wellington Sears Company, New York City; and Robert W. Philip, editor of "Cotton," Atlanta, Georgia, who acted as secretary of the mission.

The group had before it the task of bringing to the Japanese industry the correct basic facts of our economic situation and of presenting them in such a way that the Japanese themselves would be actuated into a program of self-regulation of exports to America with the full realization that the adoption of such a program would be an act not only of friendship, but of wise economic statesmanship.

This undertaking carried implications which extended far beyond the boundaries of a single industry and touched upon the entire range of economic and political problems confronting the two nations. At that time, as is still true, the United States government was engaged in the prosecution of two major policies which at certain points appeared to be irreconcilable.

The first of these, which may be referred to as its domestic economic policy, was directed toward a general increase of wages and a shortening of hours of labor as well as an enhancement of the prices of agricultural raw materials. The enlarged burden of taxation incident to unemployment relief and other emergency activities likewise served to increase one of the important elements of business cost.

The second major policy was to expand the volume of international trade through the reciprocal trade agreement program and other efforts toward a general elimination or modification of international trade barriers. This policy of international commercial expansion had for one of its essential features the application of the most favored nation principle in the administration of tariffs, quotas and other protective devices.

In the beginning of 1937, the cotton textile industry did not regard the concurrence of these two policies as being a menace to its own welfare in so far as Western competition was concerned. Europe had, just as ourselves, inaugurated conditions of higher cost, and the textile industries of such areas as Canada and Latin America had not assumed important proportions.

But to these Western conditions the situation in the Far East offered a sharp contrast. The textile industry in Japan had grown with amazing speed, had not suffered substantial cost increases from the standpoint of wages and hours of employment and had reached a point necessitating export outlets for more than half of its entire production.

The standard wage rate for the average cotton mill employee in Japan approximated 22 cents per day. Allowing for additional free benefits provided by the mills, it is not likely that the average labor cost per person was more than 30 cents per day. The average hourly wage rate in the American textile industry was at that time about 40 cents per hour and has since increased to approximately 43 cents per hour. These comparisons are on the basis of current exchange rates and reflect accurately enough the actual monetary difference in the labor costs of the two countries. The Japanese industry is well equipped with machinery and technical knowledge, and in these respects may be said to be virtually on a par with the American textile industry. Under the circumstances, it was possible for the Japanese to deliver cotton goods at American ports of entry at approximately 60 per cent of the American cost of production on similar competitive goods.

Inasmuch as American tariff rates are levied on a basis of foreign evaluation instead of American evaluation, it was obvious that a tariff rate high enough to afford any degree of protection from Japanese cotton goods imports would be prohibitive relative to imports from other countries. Naturally, it was not the desire of our government to take so drastic a step. Special tariff rates applicable only to Japanese goods were likewise beyond consideration because they would constitute discrimination, in the accepted sense of that term, and would be in violation of the most favored nation principle from which we were not disposed to depart. The situation was paradoxical and extremely puzzling in its theoretical aspects, but in its practical aspects it had become genuinely alarming as has been previously indicated by the statistics on Japanese imports.

The American cotton textile industry represents a capital investment in excess of one and a quarter billion dollars and provides employment to approximately 450,000 persons. Irrespective of the most liberal foreign trade doctrine, the threatened undermining of so great an industry by foreign competition at a time when new industries were not emerging and when the volume of unemployment was so great as to constitute a national problem could not be regarded with complacency.

Conservative and impartial observers in the American cloth market were anticipating in January 1937 that within another year Japanese cotton goods imports would approximate 500,000,000 yards. The rate of growth then in progress amply justified the prediction that within five years American production of staple cotton goods would be practically destroyed.

It seemed reasonable to suppose that such a development would produce a crisis in the relationship of our foreign and domestic policies. Such an eventuality could in reason produce only one outcome: A sacrifice of the most favored nation principle in our foreign trade policy and the application of higher tariff rates or quotas to Japanese imports. The international political implications of such a departure were far from reassuring. The envisioned outcome would not benefit either the United States or Japan and would undoubtedly greatly increase the tension in our relationships with Japan.

These in substance were the considerations which motivated our private negotiations with the Japanese industry and it was the recognition of the validity of this reasoning by the Japanese industry which made possible their acceptance of our solution of the problem.

Through this two-year arrangement both sides benefited. The American side now has security and stability where formerly there existed the threat of unlimited and overwhelming competition. Incidentally, they are likewise saved from the expense, the discomfort and the misinterpretations, the recriminations, the bickerings and the hazards involved in a campaign of political action looking to protection through legislation, or the exercise of executive powers.

On their side, the Japanese have for the years 1937 and 1938 a volume of business greatly in excess of any previously enjoyed in the American market. Furthermore, for a considerable portion of this business they are in a position to receive better prices relative to the price of American goods than they have heretofore obtained. They are also freed from the danger of tariff increases or other forms of restrictive legislation so long as the agreement is effective.

Their willingness to abide voluntarily by the rule of reason in their sales to America should remove from their goods all discriminatory treatment in the American market and, by the same token, obtain for them an improved method of distribution of their products. It is definitely to the interest of the American industry as well as the Japanese that the distribution of these products should be taken out of the hands of speculators and chiselers. Such action will not only mean maximum profits for the Japanese on their limited volume, but a minimum of disturbance to the American price structure because of the high type of competition resulting therefrom.

Since our understanding with the Japanese there has been nation-wide comment as to the possibility of applying similar agreements to other commodities and to other countries. The possibility is a very alluring one since, at the present time, the entire world is undergoing rapid changes in its international relationships. Everywhere new industries are in the process of development, and in many well-established industries tremendous technological progress is being made toward lower costs of production. Price levels everywhere are subject to violent change and we are all familiar with the frequent ups and downs in the foreign exchange market. In consequence, the flow of goods in international trade channels is subject to great changes of volume and direction. The customary machinery for dealing with the problem of protection is, therefore, too slow to be adequate for the purpose intended. Under such conditions of rapid change private representatives of industry have the advantage of being able to act more promptly and more completely in line with existing conditions.

However, a word of caution is necessary unless our hopes become too high in this respect. It is not likely that the industries of two competing countries can come to an agreement unless the commodity in question is one of sufficiently great importance to attract the interest of the two Governments and the general public of both countries. Moreover, the commodity in question must be in process of being imported in such large volume as to constitute a real threat to the prosperity of a well-established home industry.

An additional requirement is that the exporting country must have the machinery for export control. In the case of private agreement this implies the presence of an all-powerful trade association which is able to control the export activities of every member. Japan, perhaps better than any other country, meets this requirement. Her trade associations are the most complete and most powerful of any country. Individualism with respect to association policy is absolutely unknown. The Japan Cotton Spinners' Association, for example, has complete control over the production and export activities of every member. Individual members may export to quota countries only by the use of special export permits. If this trade association control in Japan is to be judged by its results, it merits our genuine admiration. Through its unity of action the Japanese textile industry has maintained a distinguished record of profitableness and stability.

But irrespective of whether such an arrangement or some modification thereof can be used with advantage as an example in the solution of foreign trade difficulties, the present understanding has justified itself many times over. Its immediate purpose is being realized without ill will or friction, and its broader purpose of reducing the incompatibility of our domestic and foreign policies as they affect our business with the Far East has been well served.

Finally, it may be said that it has been remarkably effective as a barrier in the way of recent organized boycott movements inspired by the military activities in the Far East.

Instalment Selling of Durable Consumers' Goods*

ALBERT HARING
Associate Professor of Economics, Lehigh University

INSTALMENT selling has been a quite common practice since the World War. The most dependable figures which delineate the extent of instalment sales are those released by the Department of Commerce. According to figures published by the Bureau of the Census,[1] instalment credit sales amounted to 6.4 billions of dollars in 1929 and 3.6 billions in 1935. Instalment sales amounted to 13% of total retail sales in 1929 and 11% of total retail sales in 1935. For 1936, the Bureau of Foreign and Domestic Commerce has estimated[2] that instalment sales amounted to 4.5 billions of dollars, or over one-third (36%) of total credit granted by retail establishments, and 12% of total retail sales (for 1937, the preliminary estimate is 12.25%).

Durable consumers goods account for the largest portion of instalment sales, although clothing and "soft" goods have, to some extent, been sold upon an instalment base during the last few years. Contrasted to other types of merchandise, durable goods are items which retain a sale or resale value for some time after their original purchase. In the case of the non-payment of instalments by the buyer, repossession, reconditioning and resale are advantageous. Theoretically, the resale value ought never to fall below the total of the unpaid instalments.

Instalment selling has made the purchase of automobiles, radios, and similar expensive merchandise possible to an increasing number of people. The Census Bureau,[3] for example, reports for 1935 that 59.9% of the sales of motor vehicle dealers handling new cars were made upon instalment credit, that 54.9% of the sales of household appliance and radio stores were of an instalment nature, and that the comparable figure for furniture stores was 48.7%. Undoubtedly, instalment selling has thus raised American standards of living while the increased sale of relatively costly merchandise accompanying this development has made possible economies in the production of such goods and their lower selling prices. These lower prices, in turn, have brought many types of durable goods within the reach of additional lower income groups. Here are the two great gains made possible by the wide use of instalment selling.

Certain disadvantages, on the other hand, are also discernable. Instalment sales fluctuate more rapidly than open book credit sales which, in turn, fluctuate more rapidly than cash sales. Turning to the automobile industry, it is found that the number of cars (new and used) sold upon instalment credit was 63.0% of the total in 1929, 63.2% in 1930, 61.3% in 1931, 49.7% in 1932, 56.8% in 1933, 56.6% in 1934, 60.8% in 1935, and 59.4% in 1936.[4] Detailed figures for similar commodities indicate clearly that instalment sales fluctuate more rapidly than total sales. To the extent that this occurs, the durable consumer goods industries have

* A paper delivered before a Round Table Session of the American Economic Association, the American Statistical Association and the American Marketing Association at Atlantic City, Dec. 30, 1937.

[1] *Retail Distribution*, Vol. 1, U.S. Summary, pages 1-20 and 2-25, Census of Business: 1935.

[2] Consumer Credit by Wilford L. White of the Bureau of Foreign and Domestic Commerce, p. 3. A paper given before the Conference on Consumer Financing held at the University of Chicago, May 20-21, 1937.

[3] *Retail Distribution*, Vol. 1, U.S. Summary, page 2-25, Census of Business: 1935.

[4] *Time Sales Financing*, July, 1937, p. 12.

a smaller stability than otherwise would be true. It should also be noted that terms were liberalized during the depression years to counteract falling sales so that the variations recorded are undoubtedly smaller than would have occurred with identical instalment terms (down payment and time before payments are completed) throughout this period.

In spite of the fact that the records of the large instalment finance companies during the depression were excellent, there can be no doubt that many consumers depleted their reserves somewhat to meet instalments to which they were committed before their incomes began to fall. Later on in the depression, this may have caused an increase in the relief burden because of premature exhaustion of individual reserves. No figures are available on this point, but it is worthy of mention.

The lowered cost of durable consumers goods and the increased standard of living of the American people appear to outweigh significantly the two disadvantages which have been examined *provided* and *only provided* that instalment selling is operated upon sound lines. A number of policies and principles are worthy of examination. Here, however, the discussion will be limited to down payments, the length of the instalment period, contracts, and cost to the consumer.

1. Down payments directly affect repossessions and, in this manner, the cost of instalment selling. Mr. Ray Fox of General Motors Acceptance Corporation reports the experience of GMAC in selling refrigerators in the following manner: For every 100 repossessions on transactions having a down payment of 25% or more, there will be 120 repossessions on transactions with down payments between 15 and 24%, 270 repossessions on transactions with down payments between 10 and 14%, and 650 repossessions on transactions having down payments less than 10%.[5]

Good business judgment in minimizing losses and in creating satisfied consumers demands that down payments should undoubtedly be 10% or more. It is disturbing, then, to find that the typical down payment on refrigerators, radios, ranges, and similar items is 10%[6] for department stores with a considerable number of stores requiring even lower down payments. Even worse, some durable consumer goods of a relatively perishable nature, such as automobile tires, are quite commonly sold without any down payment. Admitting that down payments in many lines have been increasing in 1937, here lies a decisive weakness in present business practice.

2. Lengthening the period over which instalments are paid also has the effect of increasing repossessions. For every 100 repossessions on refrigerator transactions running 12 months or less, General Motors Acceptance Corporation found that 160 repossessions took place on transactions running between 13 and 18 months, 295 repossessions took place on transactions running between 19 and 24 months, and 370 repossessions took place on transactions running over 24 months.[7]

Standard terms in the instalment selling of automobiles are a down payment of not less than 33 1/3% and an instalment period not exceeding 12 months. It is not comforting to note that three-fifths (58.9%) of automobile paper in 1936 ran over 12 months and that one-quarter (26.0%) of the instalment paper was based upon transactions with sub-standard down payment.[8]

3. In purchasing merchandise on the instalment plan, several types of contracts are in use. It is not necessary here to analyze their legal differences. The variations in these contracts, however, are so great that

[5] *1937 Yearbook,* Credit Management Division, National Retail Dry Goods Association, p. 27 and 59.

[6] Installment Selling: The Real Situation, *Business Week,* Nov. 13, 1937, p. 52.

[7] *1937 Yearbook,* Credit Management Division, National Retail Dry Goods Association, p. 27.

[8] Composite Experience of Sales Finance Companies and Automobile Dealers, 1936, National Association of Sales Finance Companies.

a non-legal buyer should almost be advised to consult his lawyer before signing. Certain abuses are also too prevalent. The add-on contract is particularly offensive because the consumer rarely understands its significance. A buyer, for example, agrees to liquidate an instalment balance of $100 on dining room furniture in ten monthly instalments. After nine payments have been made, with a $10 balance due in one month, the buyer purchases a living room couch with a down payment plus an instalment contract for $50. The add-on contract makes the merchandise security of the second sale both the original dining room furniture and the living room couch. It is possible for this process to continue indefinitely with no single piece of furniture legally owned by the buyer until the last piece is entirely paid for. Admitting the advantage of this procedure to the seller, the danger of abuse appears too great. The average American buyer wants a standard contract which, without reading, he can feel sure will protect his interests fairly. In many cases, particularly in the field of fire and life insurance, he has obtained such protection.

4. The cost of instalment selling is high. After the down payment is deducted from the selling price of merchandise, about the best terms available are ½% per month on the remaining balance. Upon a twelve month contract, this makes the theoretical rate of interest between 11 and 12%. Risk of collection, cost of repossession, administrative expenses, and similar costs are, of course, included in this charge. In the automobile industry which is characterized by acute competition and excellent organization, it is only recently that this rate of ½% per month has been available. Admitting freely that, if this rate is a practical minimum under present conditions, other items and other industries may have to require higher charges, there seems little justification for charges which compute to more than a 25% interest rate annually. Yet an examination of the terms offered by eleven stores in a variety of merchandise fields yielded nine cases where the interest rate computed to over 50%, while one prominent national brand (in a manufacturer owned store) was sold on instalment terms which yielded an annual computable interest of over 100%.

The general situation is that the more important commodities, such as automobiles, which are financed through the large finance companies offer reasonable terms. But the fringes of the instalment business need housecleaning badly.

Conclusions

Instalment selling can be objected to upon the grounds that credit is bad business and that the wise thing to do is always to spend less than you have. Admitting, however, that consumers will use credit of some sort in purchasing durable consumers goods, instalment selling seems highly advantageous when operated upon sound principles. Among such essential policies would most certainly be included:

(a) substantial down payments from 10 to 33 1/3% depending upon the commodity
(b) contract periods rarely exceeding one year
(c) eliminating poor risks to lower average instalment charges
(d) limiting the security to merchandise alone (eliminating wage assignments and eliminating add-on contracts)

(In this connection, it should be noted that, by charging up to the limit of his credit at a number of department stores, a consumer can stretch his credit beyond his ability to pay. The credit is sounder when instalment buying is used and the merchandise itself furnishes the seller with decent security.)

(e) simplifying and standardizing contracts which give the buyer a fair deal
(f) recourse paper only (i.e., making the dealer responsible for uncollectible instalment paper which has been discounted)

Such principles operate towards furnishing the consumer honest financing at a reasonable cost. When efficient operation becomes general, instalment selling is a most useful tool in increasing the standard of living of the American people. Whether the present efforts of the leaders in the instalment field will result in satisfactory self regulation or whether a deluge of statues will appear, is of secondary importance because the mass sale of durable goods is only possible through instalment selling.

The major purpose of this analysis was to discuss the fluctuations of instalment selling and the part played by these variations in determining the business cycle. The information presented may appear to deviate materially from this aim. To recapitulate, however, the available data show that instalment selling rises and falls faster than total credit sales, that total credit sales vary more sharply than total sales, and that instalment credit volume is somewhat subject to control through tightening or relaxing terms. When these conclusions are examined in relation to the broad business cycle, however, it becomes apparent that the total statistical variations involved are so small that instalment credit must be considered a minor factor in determining the rise and fall of the general business cycle.

Turning to an area where proof is lacking, the psychological field, some interesting conjectures are nevertheless possible. Does the availability of instalment credit upon liberal terms make possible the almost immediate projection of business confidence or fear through the buying public? A very limited illustration is available.

With the fall in stock market values following Labor Day (1937), business shrunk severely and unemployment rose in one medium sized city (Bethlehem, Pa.). According to the retail dealers of that city, repossessions of automobiles and other durable consumer goods tripled during the next three months. Sales during September, October and November—instalment, open-book credit and cash—dropped sharply. In fact, total sales dropped materially more than the fall in employment and wages seemed to warrant. An investigation lead to the tentative conclusion that the straightened circumstances of a few, those losing their positions, became obvious to all when repossessions occurred. "Over the back fence" discussion then made the mass of people wonder, "Will I lose my job next week?" Then all sales fell.

During the spring of 1937, with business confidence high, this optimism projected itself similarly into abnormal sales. Yet total sales, instalment sales, and repossessions may easily show normal ratios for the whole year.

Statistically, proof of this thesis is difficult, if not impossible. Yet, *if* instalment credit is a *major* factor in business cycles, it is in some such psychological manner, rather than in its own variations, that it influences the cyclical movement of business. In this psychological analysis, it is immediately apparent that lax instalment selling terms enhance the factors causing fluctuation and that conservative methods minimize these forces.

Training Teachers of Marketing and Research Workers*

H. H. MAYNARD
Ohio State University

INSTRUCTION in the field of marketing began at Ohio State University in the spring quarter of 1905 when Dr. J. E. Hagerty offered the first formal course in marketing in any American university or college. The title "The Distribution of Products" grow out of a graduate thesis which had been undertaken at the University of Pennsylvania by this pioneer teacher but which was submitted as a dissertation in the field of Sociology. Dr. Hagerty in speaking of the source material for his thesis, and thus in a large part for this first marketing course, emphasizes a definite characteristic of most early courses in the field, namely a large emphasis on *"How"* rather than on *"Why."* Attention was placed on institutions, methods, techniques, but little attempt was made to develop fundamental principles, rules, or laws comparable to those which exist in other fields of learning. Such a content was obviously logical for it was necessary to accumulate a knowledge of how goods were marketed before the next step, namely, that of asking *"Why"* could be taken. There are many reasons for believing that the body of knowledge which is today collectively known as marketing is still deficient in this respect and that we are just now entering upon a second step in the development of our field, namely, the development of a body of fundamental principles which will supplement those already being presented to our students. Such, at any rate, is a basic objective of our work with graduate students at Ohio State University.

A presentation of something of what we have learned over the years and an indication of our present teaching technique is the object of this paper. But first it becomes necessary to describe the structure of course offerings which today constitute the medium through which we are striving to train marketing teachers and to indicate the type of teacher who will, in our opinion, make the most worthwhile contribution to both teaching and writing in the future.

Any intelligent consideration of the subject assigned presupposes that those of us who are engaged in teacher training have in mind certain objectives or ideals towards which our teaching is directed. In other words, what should be the outstanding characteristics of the ideal teacher of marketing?

First, he must be a social scientist in the broad sense of the word. Social movements, problems of just price, of fair trade practices, and of equity in general must make a strong appeal to the teacher of marketing. To maintain this point of view in the class room it is necessary that the portion of teaching effort which is devoted to the problems of the entrepreneur must be so directed as to make it impossible to criticize our teaching as being anti-social. On most campuses the teachers of marketing, like teachers of accounting, finance, and other applied economic subjects, still have the problem of convincing other educators that our work is essentially applied social science and that our basic objectives are those of workers in any other field of science. It is to be hoped that the next generation of marketing teachers may make real progress in this task. If so they must be so trained

* Read before the American Marketing Association at Atlantic City, December 1937.

in the various disciplines of social science, certainly in some aspects of sociology, philosophy, political science, and history, as well as wide work in economics. All such work must be beyond the limitations of undergraduate work, or otherwise marketing men will be unable to fit their teaching into the broader picture of social instruction in the social sciences. To make this possible we must avoid too early specialization and insist upon adequate training in the fields suggested either before or as an accompaniment to courses in the various specialized fields of marketing.

Another basic characteristic should be an interest in and a degree of skill in the techniques of marketing processes. I consider this secondary and not contradictory to the first objective stated, that of being a broad social scientist. Since we are working in an applied field our teachers must have a minimum knowledge of such techniques as the principles of retail store layout, the operation of the retail method of inventory, the basic credit ratios, fundamentals of advertising layout, and the difference between good and bad selling technique. I have no disposition to lay less stress than in the past on such matters nor to say that our teachers must not have had business experience. The most effective teaching today, in my judgment, is being done by those who have had good experience, adequate graduate training and who also have the point of view of the social scientist. I know many who qualify on these points and have faith that from them will come the significant contributions of the future.

We now approach the third basic characteristic with more uncertainty than before. It is that of teaching ability. Perhaps none of us could agree on just what this term means but we all know that marketing, as well as other teachers, vary greatly in their ability in the class room. Some stimulate students and develop their interest in the field; others seem to stifle the curiosity with which students enter a new course. Others do not seem to be able to distinguish between basic and relatively inferior points. Some, and they should have greater recognition, are able to select the basic principles from the mass of detail and so present them as to give their students a picture of the essentials of a subject and how they supplement and correlate each other. I wish that I might give a sure recipe for securing such teaching ability, I cannot. To a degree it is developed by sitting at the feet of senior men who can teach effectively. But all of us have seen young teachers who have watched teachers of outstanding ability and seem to have learned little from them. Some of us who have been in administrative positions must confess that our record of either selecting men for our own staff or of recommending our students to others is far from perfect for sometimes we have not been able to apply tests of either personality or scholarship effectively enough to enable us to predict success or failure with certainty. Perhaps we must depend on our friends, the psychologists, for help in the future.

A fourth characteristic, and in some ways the most important, is what I refer to as the urge towards productive scholarship, that is, to write in the field. Too many of our teachers now in service seem to be content to use the material of others and not to carry on research which leads to productive writing. Since the field is so large, and there are so many problems yet unsolved, there is room for the productive work of every teacher of our subject.

Three graduate degrees are offered at Ohio State for students of marketing. Both the Doctor of Philosophy and the Master of Arts degree have been offered for many years but in 1933 we began to confer the degree of Master of Business Administration and since that time it has almost entirely replaced the older Master of Arts degree for our students seem to prefer both the wider training which is required as well as the suggestion of technical training which the degree connotes. Unfortunately, many teachers of marketing are now in the field who possess only one advanced degree. The demand has been so great that, we, like other institutions represented in this room today, have been forced to recommend teachers who lack the breadth of preparation and the attainments indicated by possession of the Ph.D. degree, for as yet but seven such degrees have been given to majors in marketing at Ohio State. Ten other persons have passed the general examinations for the degree and now have dissertations in preparation, some of which are nearly ready for submittal. Of these ten, six head departments or divisions of marketing in other universities, two are on our own staff, and two are in commercial work. Ten other persons are serious candidates for the Doctorate and are either in full or part time residence at Ohio State. Seven of these persons are senior men in the field in their institutions, two are in residence at Columbus and one is in government service. These facts are presented merely to emphasize the fact that if the experience of this university is typical, teachers of marketing in the various colleges and universities have as a group not completed a great amount of graduate work. It is believed that definite encouragement should be given to such persons and that they should be urged to spend sufficient time in residence at some university to complete their final degree work for there seems to be no lessening of the requirement of the doctorate for the worthwhile positions. During the last six months the writer, as the representative of our graduate school in university and college teacher placements in our our fields, became familiar with perhaps 50 openings for teachers of commerce, economics, and accounting for the year 1937-38. Practically every call mentioned that the candidate should "possess the Ph.D. degree or be near to it." In many cases the salary offered suggested that the requirement was idealistic rather than practical.

The rapid growth of courses in marketing as well as the introduction of courses in high schools which demand that the instructors have graduate training in this field suggest that for many years to come training on the Master's level plus, it is hoped, some additional work which may lead in many cases to the final degree will constitute the formal training of too many teachers of marketing. Hence, it is useful to examine that type of training.

Requirements for entrance on a program leading to either a Master of Arts or a Master of Business Administration degree are the same, namely, undergraduate training in economics, accounting, geography, law, statistics, money and banking, transportation, corporation finance, marketing, and industrial management equal at least to the standard undergraduate or first courses in these fields. If an applicant for the degree does not have such training he is allowed to register in our graduate school but must pursue courses in which he is deficient in addition to the one year of graduate work. It has been our experience that graduates of many colleges of arts, engineering, education, etc., must spend two full years as candidates for the M.B.A. degree while graduates of colleges offering adequate programs in commerce can complete the work in either three or four quarters.

We believe that the M.B.A. program for either prospective business men or teachers should be broad rather than specialized. Hence, we require the students to present work in four distinct fields, but with somewhat more hours in the major than in the three minor fields. Principal fields available are business finance, industrial management, banking, insurance, marketing, utilities, statistics, accounting, foreign trade, and economics. But those who look forward to high school teaching are allowed to include up to 20% of their work in courses in commercial education. Courses pursued by Master's candidates include some open to both undergraduate and graduate students but so far as possible registrations are made in courses for graduate students only. No student receives the degree without at least one-third of his work being taken from such courses although we have only one fixed requirement for all master's candidates, namely, a two quarter course in methods of research and thesis, and report preparation. A thesis is required of all who receive a Master's degree, because we are convinced that such a requirement not only gives the student valuable experience but that it allows the staff to acquire certain information about the ability and the progress made by the student which he can receive in no other way.

I am sure that one frequently recurring problem is not confined to our campus. I refer to the very troublesome problem of just what to do with the student who has received a Master's degree but who has not displayed the ability which we believe is required for further graduate work in the field. Too often we have not faced the problem squarely and have allowed the student to come up to the general examination for the doctorate and with disappointing results for both the staff and the student. Hence, we attempt to make the final examination for the Master's degree of such a character as to make it possible for us to advise the student whether, in our judgment, he can profitably take further graduate work. We then attempt to discourage further work, but I must admit, without any high degree of success. This point is suggested wholly to emphasize the responsibility which faces all of us connected with training marketing teachers. In the past the type of man who could do satisfactory work in teaching descriptive material, internal management technique, and the simpler aspects of research found a place. But as the field of marketing approaches its maturity, a different type of ability will, in my judgment, be required and there will be a smaller place for the narrow technician. Hence, I again assert my belief that we must face the responsibility of increasing the quality of future teachers by introducing some sifting process at or near the end of the Master's level of preparation. I hope that discussion of this point may come from the floor this afternoon.

For these reasons we are attempting to develop a type of graduate program beyond the Master's level which will produce more than narrow technicians or specialists on the internal management of marketing institutions. We believe that instruction of that type is necessary, at least on the undergraduate level and that we must include such work in our program for training teachers of marketing, but that we must go farther than that because we believe that the future teacher of marketing will reach his highest degree of usefulness only as he is able to make a definite contribution to the solution of the social and economic problems of his time. This he must do by stimulating his students to critical and discriminating thinking and through publications, addresses, and other methods of reaching the general public as well as legislative committees and bodies. He must first of all be a good citizen, one actuated by an interest in the social well-being of his country and in the solution of its problems.

Naturally, one approach to the study of current marketing problems is through history. For this reason we require at least a year course in the history of economic doctrines, particularly as they apply to the development of marketing institutions and practices. This is an offering of our department of economics because teachers of marketing must be fundamentally economists. We trust that we shall never get away from that point of view for we are convinced that our field is but an application of the parent field of economics. Our students must also take at least one year course in modern or advanced economic theory, but most of our men precede this with special courses in distribution and in value. One of the four fields presented by all students in their general examination for the doctorate must be economic theory and its history.

Early work in marketing was limited by lack of authoritative or adequate quantitative measurements. But we are now able to draw upon a tremendous mass of such data because of the contributions of the Bureau of the Census and other governmental agencies, the work of many university bureaus of research and the contributions of dozens of private research and other agencies. Hence, the teacher of marketing must be trained in the tools of research which will make it possible for him to draw upon this invaluable mine of information and make contributions to marketing theory based upon the analysis of statistical data. For this reason we require considerable work in statistical methods from all of our doctoral candidates. Many go far enough in that field to use it as one of the four principal fields for their examination. We are convinced that there is and should not be any trend away from emphasis on the contributions of statistics and that only through its methods can students of marketing test the validity of many conclusions in their field.

Work in market analysis was an important part of our offerings for both graduate and undergraduate majors for many years. But we continued to make the serious mistake of talking about rather than doing market research until recently. We now believe that work in this aspect of marketing is not well adapted for all undergraduate students but that it should be reserved for a few outstanding individuals who have an interest in the quantitative approach of social sciences and can, therefore, profit by special training in the technique of market research, and for some graduate students. Hence, two quarters of each year we offer a course in market research open to graduate students who can profit from it. Not only do the students study the theory and methods of research in the class room but they apply the theory by undertaking a problem in field research. The problem may be with consumers, with merchants, with sales managers, office managers, or any other place where market data can be secured. After a questionnaire or scheme of investigation has been prepared by the student with the aid of the instructor, the next step takes place in our Bureau of Research where the data is analyzed by aid of Hollerith machines. The final step is the analysis of the results of the investigation. It is our belief that through training in this field future teachers of marketing may know the difference between sound and pseudo market research and may be influential in "debunking" much that now passes for scientific contributions in this field.

For a number of years we at Ohio State have profited by the existence of a competent Bureau of Business Research. It has offered many graduate students opportunity to develop their dissertations under the auspices of the Bureau and to receive statistical and clerical assistance. But perhaps its chief contribution has been its use of many graduate students as project supervisors. As such they have profited from the direction of trained statisticians and from carrying a statistical project through all its stages. Several persons thus trained now occupy important positions with both private and governmental research agencies. The Bureau also aids in our class room training of teachers by allowing us to draw upon its current collections of business facts and the results of special studies.

All students of marketing recognize the increasing importance of distribution cost accounting and the virtual certainty that significant contributions to a knowledge of marketing principles will come from the development of this form of marketing techniques. In the autumn of 1935 the chairman of our accounting department, Professor J. B. Taylor, and the present writer offered a joint seminar for graduate students in the two departments in which we presented something of the problems of distribution cost accounting and developed technique of that time. Since then a member of our accounting staff has been working in the field and during the quarter just closed has offered a formal course in Distribution Cost Accounting which was taken by several of our advanced students in marketing. It is our purpose to train practically all future graduate students in this field because of a belief in its fundamental importance.

In addition to the normal undergraduate courses and the special fields of graduate work which have been mentioned, we offer a three quarter or one-year graduate course in marketing. One quarter is devoted to a consideration of the development of certain marketing institutions, the topics chosen varying from year to year, and to a careful treatment of the history of marketing as a field of instruction. Early texts and articles are examined to ascertain the status of the field of different periods, and the developing ideas of marketing as a field are traced. A study of the contributions of a dozen or so outstanding students of the field is included because we are convinced that it is just as important for our teachers of marketing to know about development of this field as it for them to have the more customary historical treatment of economic doctrines.

A second quarter of the graduate course, often the first in point of time, is devoted to teaching the principles of marketing to graduate students. To do this effectively we adopt a critical attitude toward established concepts and the body of material normally offered in a first course in Principles of Marketing. We try to inculcate a critical or questioning attitude toward such common ideas as the normal list of competitive advantages of chain stores, the handicaps of the department store the services of future trading, or the normal justifications for existing costs of distribution. We believe that from this part of our graduate training our students not only gain a better understanding of basic marketing but that questions will be raised which may result in contributions from these men in future years. Above all we hope that they will get away from a tendency to accept what is written by even the leaders in the field as necessarily true.

The third quarter of this course is devoted to a discussion of current problems in marketing. Since the topics are never the same, students may take this portion of the course several times if they are in residence over a considerable period. The principal objectives are to give a knowledge of current problems, and to develop a critical point of view. One entire quarter recently was devoted to consideration of monoply and the various forms of price control, including reference to such topics as basing points, control through price leadership, price discrimination, and the problem of social control of prices, Another group of topics was based upon the Robinson-Patman Act, fair trade legislation, and the effect of each upon independent merchants, chains private brands, etc. Still another quarter's work was centered around certain problems relating to advertising with particular reference to the current consumer movement and its relation to advertising. Other quarters are devoted to credit and to retail or wholesale themes.

Two topics recently discussed in graduate classes illustrate our attempt to develop critical attitudes in the minds of our future teachers of marketing. Shortly after the recent Supreme Court decision in the Louisiana chain tax case attention was given to the assumption by the court that the advantages of a chain increase in accordance with its increase in the number of units operated. There is abundant evidence to justify a question on this point. The nature of such evidence supplied an interesting period of discussion.

In another recent graduate class session the general topic of financing consumer credit was presented. Methods now being used were presented and some attempt was made to evaluate them. One student then directed the discussion into a new channel when he inquired as to the responsibility of marketing institutions, and especially organized demand creation efforts, for the existence of such companies supplying small loans. Several interesting aspects of that question were then discussed for it is not entirely clear that society is benefited by creation of a demand for certain commodities which can be purchased only through credit secured at a very high cost.

Marketing Research for Seniors*

RALPH F. BREYER
University of Pennsylania

THE FACULTY of the Wharton School requires every senior to complete an independent investigation of some phase or field of business, political science, or sociology. This work is termed "Senior Research." Since all of our undergraduate marketing research is carried out under the Senior-Research program, a brief sketch of its principal features is necessary. Senior Research must be done under the supervision of a member of the instructional staff. Our curriculum requires that all students elect, at the end of their sophomore year, either the general course or one of the 15 major or special study groups. Later on, when the students enroll for their Senior Research, they are obliged to pursue their thesis work in their Major Group, or if they are taking the General Course, they are permitted to research in any of the Special Study Groups. All students must fulfill the prerequisites for Senior Research of the Major Group in which they do their thesis. For marketing research, the prerequisites are the elementary course and any one advanced course in marketing.

In earlier years the student did not enroll for Senior Research until the end of his Junior year, so that he was required to work on his thesis during his senior year only. It became increasingly apparent that this did not permit ample time for the bulk of the students to do justice to their research theses. Both supervisor and student were inclined to hurry certain aspects of the work, especially the selection of the topic. So three years ago the faculty inaugurated the present policy of requiring students to register for Senior Research at the beginning of the second semester of the junior year. During this preliminary term they must, in consultation with their supervisors, select a topic and complete a satisfactory bibliography. No scholastic credit is granted for the junior semester, even though the students are required to meet with their supervisors at least four times, and usually oftener. In the senior year students must confer with their supervisors at least once a week and are granted four semester hours of scholastic credit for the course.

The faculty awards annually The Joseph Wharton Gold Medal for the best, and the Joseph Warner Yardley cash prize for the second best, thesis in the school. The Joseph Wharton Bronze Medal is awarded to the best thesis submitted to each department (Accounting, Marketing, Political Science, etc.). Prize-winning theses are deposited in the Lippincott Library of the Wharton School. Honors in Senior Research are granted to students whose theses evidence exceptional scholarship. All recipients of prizes and honors are cited in the commencement day program.

The general jurisdiction over Senior Research is vested in the Senior Research Committee. It interprets the faculty rules. It calls for periodical reports from the various departments on such matters as the topics selected by each student, the number of interviews he has had, etc. All important requests for special dispensation must be approved by it. In addition, the committee is charged with the responsibility of studying ways and means of improving the effectiveness of the Senior Research course and of making recommendations to the faculty.

Within this basic framework the methods of administration of each department of the

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school vary somewhat. We will describe that of the department of marketing only, since this department handles all undergraduate marketing research. During the first semester of each year about 100 seniors and 10 juniors are enrolled in marketing research. For the second semester approximately 110 seniors and 100 juniors are so enrolled. All of the 10 members of the department are engaged in supervising research. With so large an enrollment and so many instructors participating in thė work, it proved to be necessary to construct a body of rules governing the methods of handling the work in so far as these were not prescribed by the faculty or the Senior Research Committee. Such matters as arranging for initial interviews, the mode of allocating the students among the supervisors, avoidance of duplication of topics, group meetings for the students, and the like are included in the departmental code. The size of the marketing research group has made it desirable also to place one member of the department in immediate charge of the Senior Research work. This individual, known as the Departmental Supervisor of Senior Research, is appointed by the chairman of the department.

Briefly, our procedure is as follows. The registrar notifies us of all the juniors who enroll for research in marketing. The departmental supervisor mails to them a notice to report along with a list of suggestive topics and a blank form calling for such information as the business experience of the student, his prospective occupation, marketing courses that he has taken, or is taking, along with such grades as he has received, the subject or phase of marketing in which he would prefer to research, his extra-curricular activities, and the amount of time, if any, of his summer vacation that he expects to be able to devote to his research work. When they report to the departmental supervisor he assigns them to their respective supervisors to whom they report for personal conferences from then on. So far as posssible the student is assigned to a supervisor whose special interests lie in that sector of marketing in which the student wished to research. Soon after their initial interviews the newly enrolled students are required to meet as a group, at which time they are given mimeographed copies of the general instructions governing their research in marketing. The departmental supervisor explains the rules at this time and also announces a reading assignment on the rudiments of research methodology for all those who have not had a course in statistics or business research methods. This is followed, at a reasonable interval, by a one-hour, written examination on the readings. A second group meeting is held during the first week of the senior year for the purpose of emphasizing the potential benefits of the course and more especially the possible assistance which a creditable thesis may afford the student toward securing a position after graduation. A complete record of the progress of each student is kept by his supervisor upon appropriate record cards. Upon graduation the two copies of the student's thesis and his record card are turned over to the departmental supervisor.

Some may say that this system appears rather complicated. We have tried to simplify it wherever possible. Further simplification appears impractical for the large number of students we must provide for. Moreover, the operation of the system does involve a certain amout of routine work that can not be handled by the secretarial staff. Since it is desirable to minimize the amount of such work that our supervisors must handle, practically all the routine duties are handled by one man, the departmental supervisor, who is properly responsible for the administration of the program.

Lest the description of the general outlines of our undergraduate research program leave you under the impression that we have solved all our problems, let me hasten to a consideration of some of the more important difficulties that still face us. Outstanding among these is the need for better research topics, *i.e.*, topics that more adequately satisfy the needs of undergraduate research students. Before examining these requirements it should be noted that two students are not permitted to research simultaneously on the same topic, nor do we allow a student to select a subject which some previous thesis covers so adequately that the student could make no substantial contribution. While there are innumerable marketing subjects or problems that could well bear scientific investigation, many are not suitable for undergraduate research. For the student has but limited time, funds, and facilities for research. It is for these reasons largely that the field of consumer research is practically closed to the undergraduate. At the same time, it is desirable that the topic call for considerable search and scanning of bibliographical sources, at least some construction of questionnaires, the conduct of some personal interviews, some statistical manipulation of data,—in short, some use of most of the major research tools. The topic should also pose a definite marketing problem, for the purely descriptive research does not usually exact the vigorous mental discipline that we desire to cultivate in the student.

To obtain a sufficient number of topics of this caliber, in adequate variety, we have depended upon a systematic solicitation of the supervisors for suggestions garnered from their reading and upon a careful study of the periodical indices, and literature not covered by them. We are now planning to supplement these sources. We expect to canvass trade associations, chambers of commerce, governmental bureaus, advertising agencies, publishers of trade papers, marketing research organizations and others for topics they may be able to suggest. We hope also to induce various manufacturing concerns, wholesale houses, department stores, retail chains, advertising agencies, etc., located in the Philadelphia metropolitan area to permit qualified students to undertake research projects relating to their organizations. Since these new plans are only in the formative stage we mention them merely for the purpose of eliciting the observations of those who have similar ones in effect.

In many specific instances, the suitability of a topic can not be determined without reference to the personal characteristics of the student. All but a small percentage of our students express a decided preference for a particular subject or a given field of marketing. Our experience indicates that the bulk of such preferences are genuine in that they are based on real interest. In approving topics we find it fruitful to accommodate such preference in so far as we can possibly do so. For the native interest of the student in a topic is rather certain to engender real enthusiasm for this research work which of itself is the best augury of good results. The fitness of a topic for a given student is also affected by his training and ability. Topics can not be graded according to the quality of the ability and training that their investigation requires. Nor is this necessary. But we should be certain that the research subject is fairly well within his reach. It does not do to permit a mediocre student who has had no previous course or experience in retailing to research on such a topic as "The Formulation of an Expense Control System for a Chain of Women's Wear Stores." Such a student is defeated before he starts.

In addition to the problem of obtaining better topics we face the need for such special treatment of students of outstanding ability as will bring the full use of their exceptional talents into play. It can be admitted that even under our standard program of marketing research the brilliant student has more opportunity and inducement to extend himself than he has in most formal courses because of the personal, individual attention he receives of his supervisor and the constant challenging of his ability that is inherent in the research work.

Despite this we are convinced that we are by no means exhausting the fine potentials of this type of student. Our plan to win the coöperation of business concerns to provide research projects within their organizations should be helpful in that we would be able to offer the brilliant student research topics that call for exceptional ability. A modest appropriation of funds to help defray unusual monetary outlays that more advanced research projects often require would aid in getting better results from this class of students.

But whatever we may do in the marketing research course alone will fall considerably short of the best possible results until a comprehensive course program especially designed for students of outstanding ability is installed in the curriculum. The writer is convinced that their vital need is a scholastic environment more congenial to their superior intellectual traits than that provided by the standard curriculum, especially in their upper-class work. A committee has reported to our faculty on such a program. The report, in part, states:

> As we conceive such a scheme, it should not be designed solely for the purpose of familiarizing the brilliant student with detailed aspects of business technique omitted from the standard curriculum, but should be concerned with the creation of an environment suitable to the development of men capable of coördinating many, or all, of the diverse phases of business activity rather than specialists in any single field. Both in the field of government and in that of business there is today a great need of men capable of such macroscopic outlook, and the programme planned for the undergraduate Fellows should attempt to develop men of vision and understanding for such tasks of coordination and supervision. The objectives of the Fellowships, thus conceived, would be threefold. In the first place, they should enable the student to acquire a broad background of knowledge against which contemporary problems can be seen in perspective. Secondly, they should attempt to train the mind of the student in such a way that he may readily separate the essential elements of a problem from those that are of lesser importance and, finally, they should encourage him to develop his powers of judgment and initiative so that he may be able to solve the problems which he encounters in a manner that will be beneficial both to himself and to society.

The program is proposed in the Junior and Senior years. Fellowship Seminars would be established in each of seven broad fields of study. Quoting the report again,

> Each undergraduate Fellow, at the time of his selection by the Fellowships Committee, should be placed under the guidance of a faculty adviser chosen from among the members of the faculty offering Fellowship Seminars in the field of his major interest. This adviser would guide the work of the student until the time of graduation, supervising his studies, and directing his Senior Research. Subject to the requirements of the Wharton School curriculum in regard to "other university subjects," and to the decisions of the Fellowships Committee, he should be responsible for the general guidance of the student's work in the manner most conducive to the development of the student's knowledge and ability in the major field that he has selected.

Some such program should prove invaluable to the brilliant student in his marketing research. It should enable him to bring to his research work a broader background, a more integrated perspective, clearer discernment and a more mature critical faculty. The whole program conditions him to the practice of exerting his best efforts. Since the program contemplates that the student's adviser would also supervise his Senior Research, there is the further advantage of the fuller knowledge of the student that the supervisor would possess. In any one class perhaps not over 5 or 10 men, who would research in marketing, would qualify for this program. Such a small group, in close association in their seminars, suggests other possibilities such as the feasibility of joint research.

Now in marketing research our concern is no less for the so-called "average" and the dull student than it is for the brilliant one that would participate in the special-study program mentioned above. It is merely that our opportunities to render them special assistance and stimulation are decidedly limited by their mental endowments. The small group of dull students barely manage to meet the minimum scholastic requirements. For our present purposes we need only observe that they never "shine" so dully as do they in their research course. Between this unfortunate group and the brilliant one lies the bulk of our students, comprising a wide range of "intermediate" ability. Most of these students must put forth extraordinary efforts to achieve a very good thesis. How can we get them to do so? This is a problem which in good part still remains even after topics, methods, and teaching personnel have been brought to reasonably high standards. We think we have a partial solution to it in the employment of an incentive that plays strongly upon a sensitive point of the self-interest of many of these students. We bring home to them the fact that a *good* thesis can be a vital help to them in securing a position after graduation. Our experience has proved this to be so. While the better the thesis the better it will serve this purpose, it does not have to win a Wharton Prize nor even honors. Theses that merit a grade of "A" or even "B" can be so employed to advantage. Instances where meritorious thesis of previous students provided material assistance in securing employment are cited. We explain that, upon completion of their theses, the supervisor will go over its possibilities with them, which might include also the opportunity of publication in part or in whole. Since most students begin to evidence a decided concern about securing a position upon graduation as they embark upon their senior year such an appeal, properly presented and followed up, is bound to stimulate the students to greater effort. We have tried this plan for two years, and, while it has been impossible to measure the benefits with any exactness, we are satisfied that a good part of the students in the "intermediate" group are responding.

Besides those already mentioned there are two difficulties that require only brief notice here since their resolution depends upon the improvement of certain aspects of our educational work that lie outside the marketing research course. One is the deplorable English that characterizes the bulk of our theses. When we read the manuscripts we note thereon all violations of the elementary rules of grammar and insist upon their correction. With all our efforts to help the student improve other more subtle matters of composition and style we meet with only limited success. To the writer's mind any real improvement can be accomplished only by more adequate provision of training in English in our general curriculum, a matter which the Educational Council of the University has under consideration. While by no means as serious as the one just mentioned, the other difficulty, which is that of inadequate library facilities, constitutes, in certain instances, a considerable impediment to the prosecution of marketing research work. The Lippincott Library of the Wharton School has improved tremendously the library resources at the disposal of our undergraduate research students, but will not be able to live up to its full potentials until it receives greater financial support. The same is true of our other university libraries. Of course, our marketing research students draw also upon a number of other libraries located in and about Philadelphia. The use of these has been greatly facilitated by the recent establishment of the Union Library Catalogue of the Philadelphia Metropolitan Area which is a "file of cards, arranged by author or main entry, uniting and making available in one place the catalogues of about 150 libraries" in this area. Despite all these facilities adequate files of a number of trade journals are nowhere available and accessions of new source material are not made as promptly as is desirable.

Although we have improved our marketing research work for undergraduates during the last few years it is by no means what we would like it to be. Further improvement will depend largely upon the solution of the problems presented in this paper. We are now striving to do that, and we have every reason to hope that we will be successful.

In conclusion, it should be mentioned that the department of marketing of the Wharton school maintains a complete file of all undergraduate marketing theses, carefully catalogued. We are glad to inform business concerns of the undergraduate research studies that our students have completed in any given field of marketing. We lend copies of the theses to outside concerns under suitable conditions, and the requests for such loans are growing year by year.

Fair Trade Legislation and the Retailer*

M. P. McNAIR
Harvard University

EDITOR'S NOTE: *This paper and the two following ones resulted in considerable discussion, especially by people actually engaged in the retail trades. It is our hope that detailed case histories of the results of fair trade legislation may be published in subsequent issues of this* JOURNAL.

THE TERM "fair trade legislation" embraces a variety of restrictions on pricing freedom. With reference to the relations between commercial buyers and sellers, that is, manufacturers, wholesalers, and retailers, there is the well-known Robinson-Patman Act, aiming to prevent so-called price discrimination accomplished either directly, or indirectly by collateral transactions between buyers and sellers regarded in the law as tantamount to pricing subterfuges. These restrictions are aimed principally at buying practices. Other types of fair trade legislation are directed at the selling end and especially at retail pricing practices, that is, at pricing relations between retailers and consumers. Here the principal form of restriction consists of the state price maintenance acts, commonly referred to as fair trade acts, and the supporting Federal measure, the Miller-Tydings Act, the effect of which is to give manufacturers of trade-marked goods in some 42 states the privilege of stipulating resale prices and, by means of a contract made with one distributor, enforcing those resale prices on all the distributors handling the product. Resale price maintenance of course applies only to trade-marked goods and is permissive rather than mandatory. Another type of legislative restriction, designed primarily to curb freedom of action in setting selling prices, is represented by the various unfair trade practices acts now on the statute books of some 15 states. These laws, which apply not merely to branded merchandise but to all merchandise, and which, of course, are mandatory rather than discretionary, have as their general purport the prohibition of sales below cost, cost being defined sometimes as invoice cost, sometimes as invoice cost plus some stated percentage, such as 6% or 10%, and sometimes, as in the case of California, invoice cost plus the entire cost of doing business. Such enactments are in general to be distinguished from the statutes, mostly of long standing, which follow the Clayton Act in forbidding locality discrimination, though sometimes the two are combined.

In most states these legislative restrictions on freedom of pricing, though foreshadowed in various ways from the time of the Blue Eagle onward, have burst upon the business community with such a sudden dazzling glare of brilliance that it is as yet too soon to draw conclusions from any statistical appraisal of results. When legislation is passed so rapidly and with so little deliberation by the elected representatives of the people that 10 states actually copy the same stenographic error in a bill, business well may be granted some indulgence if it takes a little time to find out what is going on and to adjust itself to the new conditions.

Simply from casual observation, however, one may venture a few comments. The Robinson-Patman Act has had some slight "moral" effect in causing revision of discount schedules and alteration of practices with respect to advertising allowances, demonstrators, and so on. A substantial list of complaints has been issued by the Federal Trade Commission; but there were also a number of situations in which the Commis-

* Read before the American Marketing Association at Atlantic City, December 1937.

sion, after making an investigation, did not issue a complaint. It may further be remarked that the grounds on which the Bird case and the Kraft-Phenix case were dismissed were such as to indicate a reasonable attitude on the part of the Commission. On several of the most controversial points, including the much-disputed clause on brokerage, the Act awaits court interpretation. In the meantime it has caused no very profound revolution in buying practices.

With respect to the several state measures forbidding sales below cost, variously defined, either administrative procedure has settled down to some relatively uniform basis of attempted enforcement, such as cost plus 6%, or else, as in the case of California, the more ambitious efforts to embrace a larger part of the merchant's expense of doing business under the term "cost" within the meaning of the law still await a real test of strength. The Minnesota measure, which falls in the cost-plus-10% category, is now being tested in the Federal courts by the Great Atlantic & Pacific Tea Company.

State resale price maintenance laws, having been upheld by a decision of the United States Supreme Court, are in a different category from either the Robinson-Patman Act or the various state enactments outlawing the practice of selling below cost. The two latter types of restriction on pricing freedom still must take their chance in the courts.

In the case of the resale price maintenance laws, general observation suggests that the present situation is about as follows:

1. No very high percentage of manufacturers of trade-marked goods are availing themselves of the privileges extended.

2. Many of those manufacturers who have named resale prices have done so primarily because of pressure from some of their customers and not because of conviction that the policy is sound.

3. In some trades there is definite organized pressure from retailers using such devices as "white listing" to coerce manufacturers into writing resale price maintenance contracts.

4. There is evidence that retailers, particularly in the drug field, desire to increase the guaranteed percentages of gross margin and even hope to obtain uniformity of these percentages in all the states having price maintenance laws.

5. There was for a time some diminution of retail price wars on items of branded merchandise, but now the current business recession is encouraging a breakdown of established resale prices.

6. Some manufacturers, disturbed at the slow movement of merchandise through retail channels, have not been wholly averse to a resumption of retail price cutting; and several manufacturers who have written resale price maintenance contracts with retailers have themselves inaugurated deals and promotions of various kinds, such as two-for-one sales, that have resulted in goods being placed in consumers' hands at prices lower than those stipulated.

7. Some large department stores and chain stores have definitely increased their use of private brands.

8. Consumers, irked by high prices, are increasingly seeking out unorthodox channels for the purchase of major items of household equipment in order to obtain either open or clandestine price advantages.

By and large, however, it is too soon to draw any definite conclusions on the basis of measured results, except, possibly, in one or two states, such as California, where these legislative restrictions on pricing are of longer standing. For the most part, "fair trade" is still a problem to be discussed on the basis of *a priori* reasoning. With the foregoing as a general introduction, therefore, I should like to address myself more particularly to some thoughts on the relation of fair trade legislation to monopoly in retail distribution. Most of the legislative enactments which fall into the category of so-called fair trade measures recite in piously worded preambles an intention to protect the public, presumably against monopoly.

Now retail trade, as a matter of fact, is one of the areas in which a monopoly type of business behavior is most common; not, I hasten to say, monopoly in the sense of control of supply being in one or a few hands—far from it—but rather monopoly in the sense of that imperfect or, more properly, monopolistic competition about which Professor Chamberlin and others have written so illuminatingly in recent years. First of all, there is a decidedly monopolistic element in retail location, and this is particularly true of small stores with limited markets; there are limits to the time and trouble that will be taken by consumers to go beyond a certain range in seeking the best values to be had for the sums they propose to lay out. Lack of information, backed up by inertia toward the acquiring of such information, is a further factor. And along with this goes the often-remarked phenomenon of "customary retail prices." Likewise the product of the retail establishment is not merely merchandise, but rather merchandise plus service; and in the gradations of service offered there is substantial room for product differentiation. As a consequence of all these conditions, the behavior of retail merchants, particularly of local merchants, in setting prices is distinctly monopolistic in character.

In fact, this line of reasoning may be developed as an explanation of the observed tendency for retail costs and margins to increase as the number of retail concerns grows larger.[1] But in seeking to understand the apparent tendency for distribution costs to rise in proportion to costs of production, we must not overlook some other matters of equal, if not greater, importance. Our advanced standard of living, with all that this implies in the way of consumer demand for conveniences and services, lends particular force to Professor Taussig's observation: "It is common to speak of the waste of competition. Much of it is in reality the waste necessarily involved in liberty." Furthermore, higher costs in distribution relative to those incurred in production are an inevitable consequence of the steadily increasing proportion of workers employed in distribution activities. We sometimes forget that the per capita output of persons employed in stores is not multiplied by the power of the machine as is the case in factories. One by-product of this situation is that for numerous persons retailing remains a way of life rather than a job; it is a way of escape, a means of subsistence, for individuals who fail to find a satisfactory place in other parts of the economic system. Neither should it be forgotten that high costs of distribution in many instances may be a substitute for costs of production. The requisite volume of sales which will allow low costs of production may quite characteristically require a high cost of marketing. All these circumstances must be considered as part of the conditions under which the pressure of competition in the field of distribution tends to result in higher costs and higher margins.

Periodically the rising costs of distribution get a setback from the development of some new type of marketing enterprise. Over a period of years we have seen this rôle played by the department store, by the chain store, and now currently by the super market. Almost invariably these new enterprises begin on a price appeal basis. Then gradually they go through a long cycle of trading up, improving quality, adding services, and so on, until finally the umbrella of gross margin has been hoisted so high that the way is wide open for some new enterprise to begin once more on a low price basis.

Against this background of rising distribution costs and the inherent tendency of retail competition to assume an imperfect or monopolistic form, the significance of large-

[1] See Henry Smith, *Retail Distribution: A Critical Analysis* (London: Oxford University Press, 1937), esp. Chap. IV.

scale retail distribution needs to be appraised.

There are several respects in which large retail business is less monopolistic than small retail business. In the first place, large retail enterprises have wide markets. In contrast with the small local merchant of an earlier period, who tended to dominate his neighborhood market, a department store or a chain store ordinarily must share its market with many aggressive competitors. Consider also the fact that these large institutions spread price uniformity over wider areas, and that through advertising and through policies of definite price marking they probably carry price information to larger numbers of consumers than is the case with small local retailers. In view of all the hullabaloo that has been raised it is, of course, superfluous to add that these large retail institutions have substantially greater bargaining power in dealing with manufacturers and other suppliers than is true of small retailers or even of many wholesalers.

Observation also suggests that the competitive attitude of large retail enterprises is quite commonly different from the competitive attitude of some large manufacturing concerns. Between department stores in the same city or between chain grocery concerns competing in the same retail markets there is likely to be considerably more competition on a price basis than is true of some manufacturing industries where the bulk of the business is in a few hands.

In these several respects, therefore, large retail business is not quite so good an example of imperfect or monopolistic competition as is small retail business; but this is not the whole picture. Large department stores and chains seek to practice product differentiation in various ways, by adding services, by developing private brands, by increasing the attractiveness of their buildings and fixtures, by widening the variety of merchandise handled, and so on. Then, when the inevitable result follows, and the costs of doing business rise, these concerns not infrequently seek to preserve a reputation for cheapness by the use of so-called loss leaders. At this point the question of comparative costs is pertinent. Are there any economies in large-scale operation in the retail field? The evidence is not all in, and much of it is fragmentary; but we can nevertheless say with a good deal of assurance that, contrary to the situation which obtains in many lines of manufacturing activity, large retail enterprises generally have higher expense rates than small retail concerns. In distributive business, the power of capital and the power of organization have not been aided by the power of the machine, except in a most limited degree. And so the output per capita in the form of retail sales volume is little if any greater for large companies than for small ones.

Yet if our analysis should stop here, we should fail to observe some of the most important attributes of large-scale retail enterprise. The very large retailer is not merely a retailer; frequently he is a combination wholesaler-retailer. By going to the manufacturer rather than waiting for the manufacturer to come to him, the big retailer embraces in his operations a wider sector of marketing functions than does the small retailer. Therefore a true comparison of costs must take into account the difference in functions performed, and particularly must consider the advantages of functional integration. A large chain, for example, not only combines the jobs of wholesaling and retailing, but it brings the requirements of the retail market into so much closer relation with the manufacturer that an over-all saving in distribution costs is obtained. It is not asserted that such savings are characteristic of all large retail enterprise; but there is substantial evidence both on the basis of comparative price studies and on the basis of analyses of wholesale and retail costs to support the view that the integrated distributive organization can effect real savings, even though the specific task of retailing alone apparently does not lend itself to the achievement of economies through large-scale operation.

There can be little question that the growth of large-scale integrated enterprises combining retail and wholesale functions has been the underlying cause of the rising tide of emotionalism and resentment which has furnished the driving power to secure the enactment of fair trade legislation. We are witnessing what is in part an emotional reaction broadly parallel to the attitude of hand workers against the first factories and in part a determined effort to find some convenient scapegoat on whom to pile the blame for the inefficiency and failure which are due at bottom to the rather low level of ability inevitably characteristic of such a heterogeneous mass as those whose numbers constitute the vast majority of the 1,600,000 retailers in the United States—those for whom retailing is primarily a way of life rather than a business job. For wholly understandable reasons, resentment has centered on such practices as the use of so-called loss leaders; but underlying this the real apprehension is the fear of displacement by a more effective system of distribution, even though there are plenty of grounds for doubting whether large-scale operation actually ever will preempt the field.

Viewed broadly, then, what has been happening in distribution under a laissez faire policy, with no interference with pricing, may be summarized as follows:

1. Retailing in general exhibits the characteristics of imperfect or monopolistic competition; costs and margins have risen as the number of retailers has increased.

2. Distribution costs, however, have been rising for a variety of other reasons also, by no means all of which are socially objectionable.

3. New types of middlemen have appeared from time to time, whenever the existing institutions have raised the price umbrella too high, and these new types of enterprise commonly have established themselves at the outset primarily on a low-price, low-cost basis.

4. The growth of large-scale distributive enterprise, representing in some degree the spilling over of the Industrial Revolution from the field of production into the field of distribution, with, however, some important differences, has been operating to lower distribution costs, or rather to make them advance less rapidly. This result has been achieved by integration and regrouping of functions rather than through economies proceeding directly from large scale of operation.

5. These large integrated concerns, because of differences in markets, methods, and policies, have been rather less given to the use of monopolistic competitive practices than are the small retail merchants. Thus the growth of large-scale distribution has been tending to make retailing on the whole less rather than more monopolistic, especially where freedom has existed for distributive functions to gravitate into the most economical positions and combinations.

6. Although large-scale retail enterprise controls probably not over a third of the retail business in the United States, the "little fellow" believes that he sees the handwriting on the wall, or at any rate has found it convenient to pillory the big merchant as the cause of all his trouble.

And so the small retailer took advantage of a period when big business had very few friends anyway, and proceeded to forge himself a pair of potent weapons in the form of discriminatory taxation on the one hand and so-called fair trade legislation on the other. When the attack was launched with these weapons the principle of laissez faire in marketing was the first casualty.

If one looks into the antecedents of the present fair trade legislation and the circumstances of its enactment it cannot be regarded as much else than an effort to force distribution back toward the status quo of an earlier day, to enable the small merchant to occupy a relatively undisturbed position in his local market, secure from too much competitive pressure. If these results actually follow, if the large distributor is hampered in the exercise of his bargaining power to an extent that prevents the consumer from getting the advantage of economies made possible by functional integration, if pressure from small merchants forces a majority of manufacturers of trademarked goods to maintain resale prices high enough to provide adequate gross margins for the inefficient, if laws anything like the California Unfair Practices Act become the vogue in an effort to forbid loss leaders defined as sales below cost plus operating expenses, or even if these objectives are measurably approached, then we must conclude that fair trade legislation is definitely a step in the wrong direction, a step toward lessening competition, toward reinforcing the monopolistic tendencies that are present in retail trade, toward weakening some of the most effective antidotes to monopoly that we have as yet developed. Fair trade legislation, pious preambles to the contrary notwithstanding, is in fact one of the best instances of the current strength of monopolistic tendencies in American business today.

Now I am aware that this is a broad statement, and I am aware that among the supporters of fair trade legislation there are many sincere advocates of better ethical standards in business. I am aware also that recognition of certain injustices in the relations of large retail distributors to small merchants has reached a point where an enlightened consensus might support the outlawing, under particular circumstances, of certain pricing practices, such as selling below invoice cost solely with the purpose of attracting trade. And I am not unaware that through sheer bargaining power some large distributive enterprises may have been able to bring about combinations of marketing functions that were less efficient than those which they replaced. But I am convinced that, in the main, fair trade legislation, if it works, will create far more evils than it cures.

From a broader viewpoint, of course, fair trade legislation is only part of the present strong trend to price fixing and monopoly control throughout the whole economic structure, price fixing not alone of commodities, but price fixing of labor as well. Our modern world has been built on the foundation of the "market price" concept. If we are now going to abandon the "market price" concept in favor of the "just price" concept then we are going to change our world very greatly, and the prospective rigidities both economic and political are far from attractive. But at this point I always stop and reflect that the forces of the market place are very strong indeed, and that business men are exceedingly resourceful in finding out all sorts of ways to make business flow around artificial obstacles.

Fair Trade and the Consumer*

HUGH E. AGNEW
Chairman, Department of Marketing, New York University

IN THE EARLY part of this century, I was living in a small city in Michigan. There were at that time twelve practicing physicians in the city, all fairly prosperous. Then one Spring two new physicians moved in and opened offices.

It soon became apparent that something must be done. While the old physicians had been able to live comfortably on the fees collected from the people of the city, the addition of two new physicians to participate in those fees reduced them to a point that would not provide a living for all. These professional men all fraternized, so they got together and talked things over. It was decided it would be necessary to raise the fees, and accordingly the fees were raised, and the physicians continued to live comfortably. But in the next two years, three more physicians came, so that there were seventeen to collect a livelihood off the same population that had been formerly attended by twelve. The fees had been raised from time to time to take care of all the physicians.

Then suddenly something happened. The physicians found that their incomes did not increase as the fees were increased. A comparison of notes among them showed that that was generally the case. They found: (1) that people who had been accustomed to call on them for slight ailments, did not now ask for such treatment; (2) the drugstores were advising people in regard to treatment for colds and other minor ailments; (3) the Post Office had noticed a sizable increase in the amount of medicinal mail that it was distributing.

So, as nothing else could be done about it, starvation competition resulted, and several of the physicians found it profitable to seek other fields of activity.

I believe this little narrative is highly typical of what is happening in the retail-store business as fostered by the so-called "fair trade" laws, the Miller-Tydings law, and, to a less extent, the Robinson-Patman Act. As for the Federal Trade Commission, a large part of its activities have been of a nature to encourage the raising of prices to consumers, and to protect inefficient, wasteful, and expensive distribution of goods through the stores. Of the 1,543,158 retail stores in the United States in the very prosperous year of 1929, 673,846, or more than two-fifths, were existing on gross sales of $10,000 a year down. Ten thousand dollars a year means approximately $30 a day for the business days in the year. This isn't all; 31.5% of all the stores, or nearly one-third, had a gross business of from $10,000 to $30,000 a year. In other words, 75% of the stores were selling less than 25% of the goods handled in retail trade.

Now, it is evident that when nearly 700,000 stores have a gross business of less than $30 a day that they cannot all continue in business. The margin, even though they get the high markup of the department store, would provide only $4,000 a year, on a $10,000 business. And remember that this is for the best of them. The majority of them had even less business than this. Four thousand dollars of gross profit a year was to pay for rent, light, overhead, loss of bad accounts, management, insurance, selling expense, interest on borrowed money, and then leave something for living expenses for the family of the proprietor.

Now, it is the purpose of the fair trade laws to saddle the expense of maintaining all

* Read before the American Marketing Association at Atlantic City in Dec. 1937.

these stores on the general consumers. They propose to provide a sufficient margin so the least efficient of them can still exist. At the same time, the really efficient ones are deprived of the advantage of their superior abilities, in that they are prohibited from selling goods at lower prices, which they would like to do.

To my mind, one of the worst offenders in this conspiracy to keep consumers' prices up is the Federal Trade Commission. An example of this is seen in their ruling against the Goodyear Tire and Rubber Company in which that Company was ordered to discontinue selling tires to Sears, Roebuck at about 6% net profit. In 1928, the Goodyear Company sold slightly more than 27% of its output to Sears, Roebuck. In 1933, when the Goodyear Company was cited by the Federal Trade Commission, it sold only 14% of its output to that Company. In 1929, Sears, Roebuck had 9.6% of the retail tire sales. In 1933, it had only 5.7%. Meanwhile the percentage of the tire business that went to the Goodyear stores had increased. So, it is apparent that the Goodyear agents, who presumably had most to lose through the Sears, Roebuck competition had actually increased their hold on the tire business, while Sears, Roebuck had slipped.

Goodyear was satisfied with the contract; Sears, Roebuck was satisfied with the contract. The Goodyear dealers were profiting. Many thousands of automobile drivers were buying tires at a low price, which they enjoyed, and, yet, because there had been an unusual number of tire dealers who had failed during the period of 1927 to 1933, the Federal Trade Comission issued the cease and desist order, regardless of the effect on consumers.

It is significant that during the time that this contract had been in force, there had been many failures of tire dealers, but that was inevitable. The price of rubber and of cotton, as well as of labor, had all declined sharply. Furthermore, the quality of tires had been so improved that their life in terms of service had been practically doubled. The net result was that the tire dealer who had a business amounting to $10,000 in 1927 and who had retained all of his customers, found that his business had shrunk, because of the factors just enumerated, to $4,500. In other words, the retail value (in dollars) of tires sold to consumers had decreased 55%, while the dealer's profit remained about the same per cent of sales. There had been very little increase in the sale of automobiles, which was the chief means of increasing tire sales. Failure of many dealers was inevitable.

I maintain that to put the interest of any group of stores or other businesses above the consumers, whom those businesses are organized to serve, is antisocial. I also hold that the only just way to judge fair trade practices is in the result that those practices have on the ultimate consumers. It is not an overstatement to say that such of he influence of the Federal Trade Commission and practically all such legislation as the "fair trade" laws is for the purpose of making prices higher for consumers. This may be in accord with the general idea that we are to spend ourselves out of the depression! Instead of giving the customer the greatest service possible for his money, which has been the basis upon which our great commercial life has been built, now we are to give him the least and get the most possible out of him! I hold that contrary to all good business, and, further, I charge that it is antisocial and immoral. Particularly is this true when one reviews the very large number of people in the United States with meager incomes who have to go without goods they need because they are forced to pay unnecessarily high prices to support needless merchants. Again, I charge the Federal Trade Commission and the fair trade laws with being responsible for this condition.

Fair Trade in Operation*

HON. ROBERT E. FREER
Member of the Federal Trade Commission

ADOPTING a literal definition of the subject assigned to me—Fair Trade in Operation—it would be responsive were I to discuss almost any phase of the work of the Federal Trade Commission. However, from the titles of other speeches on the program, I gather that you use the expression "fair trade" as synonymous with "resale price maintenance." Therefore, I shall treat my subject as if it were "Resale Price Maintenance in Operation."

In this connection, it has long been my feeling that someone could make a great contribution to popular understanding of current economic problems by working out an acceptable glossary of terms. I am never quite certain of the intended meaning of such labels as "fair competition," "fair trade," "stability" and the like, unless and until I know the context in which they are used. We all remember how some industries construed their N.R.A. codes of fair competition to restrain all price competition as "unfair."

I would like to preface my remarks by stating to you that the Federal Trade Commission, as an administrative body charged with the enforcement of policies declared by Congress, does not determine those policies, nor does it have authority to alter or amend them.

While the Commission in its annual reports has recommended to Congress the passage or amendment of legislation on subjects in its field, it does not participate in the enactment of any law nor can it encroach upon the functions of Congress and the Executive in that field.

While the Commission also, at the express request of the President, did submit to him a report commenting on the probable economic effects of the then pending Miller-Tydings bill, Congress subsequently having determined to enact it as an amendment to the anti-trust laws, it would be improper for me to argue its basic policy. For this reason, I hope that none of my remarks will be misconstrued as criticizing the basic policy of this law. My intention is rather to discuss certain difficulties, economic and legal, which necessarily arise from business policies under the modification of our previous legislative policy.

The Extent of Resale Price Contracts

From the speed with which state and national laws were passed to authorize resale price maintenance contracts in 42 states, one might have expected that, as soon as the legal obstacles were removed, there would be a deluge of such contracts. In fact, however, many manufacturers are apparently hesitating.

I know of no complete list of the contracts in effect. On November 15 in New York State, however, there were about 5,000 such contracts, according to an estimate by *Business Week*. Of these, approximately half were in the cosmetic and drug fields, about 1,200 for books, about 360 for liquor, and only a little more than 400 for all other industries.

In appraising these figures, one must remember, too, that some contracts apply only to a single commodity and that consequently a single manufacturer who undertakes resale price maintenance may account for several contracts. Hence, it is probably fair to say that, except in the sale of cosmetics, drugs, books, and liquor, the use of resale price

* Read before the annual meeting of the American Marketing Association, Atlantic City, Dec. 27, 1937.

maintenance contracts is still sporadic.

The hesitancy of manufacturers is all the more conspicuous because distributors' trade associations have been widely interested in the new laws and have often sought vigorously to get contracts issued. It is anomalous that statutes whose legal theory is to protect the manufacturer's good-will should be more acceptable to distributors than to manufacturers.

Competition of Private Brands

Why have not manufacturers hastened to take advantage of the new laws? There appear to be several reasons. The most conspicuous is the fact that a manufacturer who fixes the retail price of his product makes it easy for the others to get the advantage of selling their products at lower prices. Distributors whose policy is to sell at low retail prices may concentrate their efforts on products whose retail list prices are not maintained. So long as only a few manufacturers engage in resale price maintenance, the tendency is to switch the bargain-hunting consumer to the brands of a rival manufacturer. When, as in the sale of cosmetics, resale price maintenance is widespread, the price-cutting distributor pushes low priced goods under his own private brand.

The most conspicuous illustrations of the threat of private brands are to be found in the policy of Macy's and of the large mail order houses. In full-page advertisements in the New York papers, Macy has called attention to the price increases it has had to make upon goods whose prices are maintained and has urged the public to buy other goods. On its counters, Macy's has placed side by side the price-maintained brands and its private brands, with signs calling attention to the difference in price. Similarly Montgomery Ward has included in its catalogue an editorial entitled "You Don't Have to Pay for It," and has reinforced the editorial by the slogan "Save More. Buy a Ward Product." In its catalogue, Sears Roebuck has explained the prices of certain articles by the notation, "Price Fixed by State Law," and has announced that money can be saved by buying Sears brands, identified therein by a black-faced cross.

The tendency to switch the customer to private brands is not confined to these large organizations. *Advertising and Selling* reported in June that large liquor retailers and chain drug stores were increasing their sales of private label goods. *Drug Trade News* for September 27, announced that, although retail sales of private brands had been recently declining, manufacturers were disturbed by retailers' purchases of increased amounts of off-brand unadvertised merchandise designed to compete with nationally advertised brands.

A spokesman for one large manufacturer declared at the last convention of Federal Wholesale Druggists Association:

> For years you have asked the manufacturer to give you stabilization. You said that if he would do this the retailer in turn would give the manufacturer coöperation. Buying increased quantities of off-brand merchandise to compete with nationally advertised products is not the kind of coöperation we looked for. What does this mean? What is going to happen to the big parade? If the manufacturer does not make money out of stabilization he will quit and we will be back where we started.

Spokesmen for other manufacturers expressed similar views.

Certain manufacturers have attributed their increased sales to the help of distributors pleased with their resale price contracts. However, the distributors' sales effort is now concentrated in support of only a few price-maintained products, and it probably could not maintain equal effectiveness if required to support larger numbers of such products. The effectiveness of private brand competition would be increased, moreover, if the number of price-free national brands should materially decline, and in the face of a threat of private brand competition, many producers of national brands appear reluctant to gamble with the consumer's good-will.

Retail Margins Versus Manufacturers' Profits

A second reason for the manufacturer's slowness in espousing resale price contracts is the fact that many of them find it to their own interest to encourage competition among distributors who sell their products. Distributors' price competition tends toward lower retail prices by reducing the distributor's margin instead of the manufacturer's profit. If distributors' margins are guaranteed, the retail price is likely to be on a higher level, and unless the consumer cheerfully accepts that increased price, the manufacturer may face the unpleasant alternative of a decrease in sales volume or a reduction in his unit price to the retailer.

The arguments which were made on behalf of resale price maintenance laws during their legislative consideration, emphasized this possibility, and insisted that the consumer would be protected by the competition of manufacturers for volume sales. Manufacturers evidently fear that this argument may be in part true.

They realize, moreover, that once the retail price is fixed, and the manufacturer remains responsible for it, the size of the contractual margin becomes a matter for negotiation, in which there will be strong pressure from retailers for a liberal margin.

For example, one of the chief spokesmen for the retail druggists declared at the last conference of the national association that—

> The manufacturer must be made to realize that he must compete not only for the consumer's patronage, but also for the retailer's good-will . . . the retailer should scrutinize every manufacturer's contract for the specific purpose of determining first of all whether it is fair to him; . . .

Thus, the retailers' insistence upon a wide margin may be a threat both to the maintenance of a retail price low enough to move manufacturer's goods and to the maintenance of the manufacturer's customary wholesale price.

Diversity of Distributor's Interests

A third problem which may deter manufacturers from adopting resale price maintenance contracts is the inherent difficulty of finding a minimum price for which they are willing to invoke the sanctions of the law. Price making in distribution is no simple matter. Some goods are sold direct to retailers, some through wholesale channels, some through coöperative wholesaling organizations, and many products by the use of all these channels jointly. Issues have already developed between retailers and wholesalers as to the division of the distributor's margin.

Again the drug field affords an example. The secretary of the retail drug association has insisted that the wholesale contracts must not provide for the full customary wholesale margin until the retailer is given protection for his full conventional retail margin; and that, prior to that time, manufacturers must see that resale price contracts covering sales through wholesalers allow for the retailer's special 10% discount customarily received from the wholesale drug trade. Of course, any manufacturer, undertaking to draw his contracts in accord with this suggestion, would encounter opposition from wholesalers.

Similarly, the secretary of an association of coöperative drug wholesalers insists that manufacturers must not yield to the pressure of other drug wholesalers by writing resale price contracts which will interfere with payment of dividends to member customers on the basis of their patronage. In determining resale prices, the manufacturer necessarily takes responsibility for the relative operating margins of different types of distributors, and thus acts as the arbiter of competitive advantage or disadvantage to be accorded each separate method of distribution. It is not surprising that manufacturers who visualize this picture hesitate to undertake the task.

Problems of Enforcement of Contracts

A fourth problem which the price maintaining manufacturer must face is the extent of the legal difficulties in which he may become involved by his resale price contracts. The most obvious of these difficulties, though not necessarily the greatest, is the fact that, if he does a national business, he must try to devise contracts which will satisfy the varying requirements of the laws of 42 states, while staying within the confines of the Miller-Tydings amendment to the federal anti-trust laws. This formidable legal job is not finished when a form of contract is once devised. Thereafter, the manufacturer must keep track of judicial interpretations of all these laws.

A further difficulty is that, since most of the state laws make contracts binding not only upon signers but also upon competing distributors, the manufacturer incurs an obligation to enforce the contracts generally. At best, this must require considerable watchfulness and substantial legal expense. At worst, it may mean unexpected difficulties for the manufacturer himself.

R. H. Macy & Co. recently argued, in an injunction proceeding concerning its sale of Philco radios, that the Philco contract was invalid because of its wide and flagrant violation. Weissbard Bros., well-known as a cut-rate retail store in New Jersey, recently filed a counter-charge in a suit brought against them by McKesson-Robbins & Co., claiming that McKesson is not forcing other retailers to maintain prices on certain products for which price maintenance by Weissbard is being required.

If such contentions are upheld, the manufacturer may have to choose between an intensive policing of a far-flung system of retail prices and the invalidation of his contracts. Moreover, there will necessarily be extensive proceedings to determine in various states such questions as whether a particular state law permits the fixing of trade-in allowances, prevents the granting of premiums, applies to patronage dividends, and the like. It is not surprising that even manufacturers who would like to maintain prices by contract prefer to hesitate until others have explored the boundaries of these laws and the expensiveness of their enforcement.

Effect on Retail Prices

Since retail price maintenance contracts are relatively new, little can yet be said about their effect upon retail prices. Studies by Professor Grether, of the University of California, from experience with the drug and cosmetics industries under the California law, however, may afford some indication of what may be happening elsewhere.

In general, Professor Grether's conclusions, published in March, 1936, were that whereas dealers had demanded 33⅓% gross margin, the arithmetic average of the contractual margins studied was about 31%, with wide variations on particular items. The introduction of these contracts had led to some lowering of price in independent small drug stores. It had allowed a very nice basis for net profit by the more efficient dealers and by the limited service dealers, provided they maintained their sales volume. It had led to a significant increase—about 25%—in the price of contract items advertised for sale by metropolitan price-cutting and chain outlets.

Professor Grether concluded:

> Without doubt, those consumers who wish to buy standard drug products with a minimum of professional attention and merchandising services are harmed by resale price maintenance, except in so far as they are able to obtain an equivalent quality under private labels. . . . Conversely, it appears that the position of the consumers who are attached to the smaller, especially the neighborhood, stores is improved by resale price control because they

will continue to purchase at prices no higher than previously, perhaps even lower as contractual prices become the going prices.

Such bits of information as have become available elsewhere are not sufficient to give a broad picture of the effects of resale price maintenance. That there have been conspicuous price increases on certain items in certain outlets is evident. R. H. Macy & Co. have reported from time to time the average increase required by resale price contracts over the prices formerly charged by their store. In July, this increase averaged 8½% for cosmetics, 17% for drugs, nearly 13% for liquors and nearly 33% for books, and Macy's corresponding profits were reported as more than 39% for cosmetics, 36% for drugs and liquors, and 41% for books. Presumably the term "profit" is to be taken as meaning the gross operating margin, not a net profit on sales.

In June, *Advertising and Selling* reported that liquor distributors were demanding 40% profit and that, under pressure, certain manufacturers had reissued their contracts with resale price increases of from 3% to 10%. Here, too, the term "profit" is ambiguous, but presumably it refers to operating margin. Drug journals, on the other hand, have asserted that prices are not higher than the levels formerly prevailing in independent drug stores.

Some manufacturers in the drug field have encouraged low prices during the controversy over the introduction of contracts by special offers of deals or combination sales. Thus, in September, a Dr. West's toothbrush and a 50¢ can of Calox were jointly offered by Weco Products Company and McKesson & Robbins at a combination price of 59¢, and 2 Tek toothbrushes were being offered for 51¢. Drug journals were suggesting that the combination deal, whose cost is borne by the manufacturer, might become a substitute for the loss leader, whose cost is borne by the distributor. The New York State Pharmaceutical Association, however, was contending that such combination deals violate the spirit of the laws and might lead to complete chaos.

The price policy underlying the distributors' approach to resale price contracts is much clearer than the present effect of the contracts themselves. For the drug trade, it was summarized in 1935, in an article in *Advertising and Selling* as follows:

> The aim of the new laws was undoubtedly to have contract prices which include service charges and a reasonable profit for the independent dealer.

In discussing the adequacy of the operating margins provided by particular contracts, retail druggists have used *average* drug operating costs as their standard of measurement. The objective appears to be to protect the full operating costs of the *average* retailer. Necessarily this must have the effect of guaranteeing a profit to all those whose costs are below the average.

Leaders among the retail druggists have issued warnings, however, against a too rapid rise in prices and have expressed willingness to coöperate with those manufacturers who hesitate to provide at a single jump what retailers regard as an adequate operating margin. Hence, there is some reason to believe that the present levels under resale price maintenance contracts are not as high as the proponents of the contracts hope eventually to make them.

Protection of Consumer Interest

Popular reaction to resale price maintenance as a system, no doubt, will depend in large measure upon the level of prices eventually established. From the consumer's standpoint, the proof of the resale price pudding will be in its eating, and any substantial general increase in prices will cause agitation for either governmental regulation of the contract prices or nullification of the enabling legislation. And nullification may take two forms—either outright repeal of the resale price laws, or such consumer reaction as would make general observance of the contracts impossible.

A recent article in *Business Week* referred to the Miller-Tydings Act as "a measure which assures business a new era of freedom from government regulation . . ."

Thoughtless or reckless jacking up and pegging of prices, however, would engender popular demand for intervention by the government to protect the consumer. And there is a wide difference in the type of government intervention sanctioned under the present anti-trust laws and that which would be necessary should government be required to attempt to regulate the reasonableness of resale contract prices. It is the difference between negative regulation and affirmative management—between ordering a business man to cease and desist from some specific unlawful practice and supervising one of his managerial functions.

Apart from the possibility of direct efforts to elevate contract prices too high, there is in a system of resale price maintenance a danger that prices also may be raised through an increase in the costs of retail competition. In the absence of price considerations, retail dealers must emphasize other means of attracting business. If the emphasis is placed on such other factors as size of stock, service, location and facilities, it seems inescapable that the costs of such factors and consequently of distribution, will be increased.

If such a result occurs, it is hard to see that any great improvement will have been made in competitive relationships, and the public will have been saddled with the burden of wasteful and unnecessary increases in the cost of retail distribution.

Legal Questions to be Considered

Many questions of law remain likewise still to be considered. Since the Federal Trade Commission has the duty of proceeding against unfair methods of competition in the relation of manufacturers to distributors, except in so far as exemptions may have been provided by the Miller-Tydings rider, it would obviously be inappropriate for me to express any opinion concerning any question the Commission may have later pending before it for quasi-judicial determination.

Conclusion

In conclusion, let me remind you of two things: First, that the Miller-Tydings Act does not wholly repeal either the Sherman or Federal Trade Commission Acts, and that those who would use the provisions of the Miller-Tydings Act to accomplish monopolistic restraints of trade must still run the risk of anti-trust proceedings; and second, that, although the Miller-Tydings Act and the resale price legislation of most of the States represent an experiment based upon a partial reversal of our former law and public policy, their final test must be their practicality and the fairness of their economic results in actual operation, as determined in the court of public opinion.

Analyzing the Radio Market*

JOHN J. KAROL
Columbia Broadcasting System

In assigning to me the subject, "Analyzing the Radio Market," your chairman has been more than generous—so generous in fact, that if I am to stay within the limits of my allotted time and your patience I shall have to be much less inclusive than the title permits. It would be impossible for anyone, in the space of a few minutes, to report fully on the variety of analysis and research which has been conducted and is still being conducted in this field. I should like, therefore, to confine this discussion to two phases of radio research. First, the gross measurements of the medium, or what we know about the listening audience as a whole; second, radio's net measurements, or what we know about audiences to specific programs.

In the days when the "great American radio audience" was as unknown as it was "unseen," the necessary task of discovering, defining, and describing it for our clients and prospects made the seven labors of Hercules look like child's play. For radio, as an advertising medium, just sort of happened. We didn't "plan it that way." Strange as it may seem, we in broadcasting had a major advertising medium on our hands before we knew any of the needed facts about its circulation. Before 1930, when the U. S. Census Bureau gave us an official count of radio homes by states and counties, we had only estimates to work with. (And "estimate," I might add, was at that time no more than a polite word for "guess.")

Since that date we have been able to follow with a fair degree of accuracy the annual increase in the number of radio homes, on the basis of data from set manufacturers and dealers on total sales and replacement sales. Within the past couple of years, however, it became apparent that our estimates required a new statistical base. A number of market surveys conducted intensively in specific areas as well as nationwide studies conducted for us by Dr. Daniel Starch and Staff, revealed discrepancies in some of our early estimates and provided a much sounder foundation for our gross measurements of radio.

Then the Joint Committee on Radio Research was organized in 1935 under the auspices of the Association of National Advertisers, the American Association of Advertising Agencies and the National Association of Broadcasters. One of the first official releases of this research group concerned the number and distribution of radio homes as of January, 1936. This report, which revealed a total of 22,869,000 radio homes as of that date, was based on a comprehensive nation-wide survey as well as an analysis of manufacturers' set sales and dealer replacement sales by states. A breakdown of these radio home figures by counties was provided by means of multiple correlation using such factors as total retail sales for 1933, passenger automobile registrations for 1935 and telephone homes for 1935. The individual county figures have been tested against the 1930 census figures and against several independent estimates based on specific surveys. The results indicate a remarkably high degree of correspondence, especially when they are compiled by groups of counties.

On the basis of various nationwide personal interview surveys conducted more or less continuously during the past several years we have learned a good deal concerning the nature and distribution of the radio audience. I should like to give you the high-

* Read before the American Marketing Association at Atlantic City, December 1937.

lights of some of the 1937 figures for the urban radio audience (covering all communities over 2,500 population).

By economic classes we found radios in 98.6% of all homes with incomes over \$5,000; 96.3% of homes with incomes between \$2,000 and \$5,000 and 85.1% of homes with incomes under \$2,000. By city size we found that in the metropolitan markets over 250,000, 92.4% of all families own sets; 90.8% in cities 25,000 to 250,000; 91.8% in cities 10,000 to 25,000 and 88.8% in cities 2,500 to 10,000 population.

Our 1937 survey revealed that 95% of urban automobile homes and 96% of telephone homes also own radios.

In addition to the 24½ million radio homes in the United States in 1937 we found approximately 4½ million automobiles equipped with radios and 4 million homes with two or more radio sets. In summary, our latest surveys indicate that radio ownership has reached virtual saturation in the urban markets of the country.

But rural markets remain a relatively unexplored territory. The Joint Committee at this time is directing a special study of radio ownership and listening habits in these areas in order to bring up-to-date information on this important segment of our population. You may be interested in some of the details of this investigation, the results of which are now being tabulated. The problem of framing the questionnaire and allocating the calls was left to the Technical Sub-Committee on which both Dr. Weld and I serve. As you may expect, this matter involved lengthy discussions and considerable exploratory work. Conferences with U. S. marketing agricultural experts in Washington aided us considerably in determining the proper factors to consider in the selection of typical rural counties. Letters were mailed to agricultural experts in each state asking for their own selection of the several counties which would be most representative of average rural conditions in the state. Then a detailed statistical analysis of each county was made for the purpose of helping us select the most typical counties in each state. The following factors taken from the 1930 U. S. Census data were selected for this analysis.

1. Rural farm and rural non-farm families as a percentage of total families.
2. Percentage owners and tenants of rural farm and rural non-farm families.
3. Density (number per square mile of rural farm and rural non-farm families).
4. Percentage radio ownership as of 1930—rural farm and rural non-farm families.
5. Median evaluation of rural farm and rural non-farm residences and buildings.

As a result of these preliminary steps it was was possible to select counties which could be considered fairly typical of the rural population in each state. We considered the possibility of spreading the sample over all rural areas in each state but decided on the more intensive sampling of typical areas as the most practical plan, especially in view of our special interest in radio ownership. Our next step was a testing of the questionnaire. This was done in connection with the securing of bids from various independent research organizations. Specific counties were assigned to each organization, both for the purpose of testing the questionnaires and of assisting the organization in preparing its bid for the nationwide survey. Approximately 21,000 personal interviews have already been obtained and the tabulation is now well under way. This rural survey will not only reveal information on radio ownership, but also will provide certain basic data on listening habits. The results of the study should be available in published form early next spring.

Before discussing research on the net measurements of broadcast advertising, I should like to describe briefly some of the types of basic data which are now available on listening habits. Our personal interview nationwide surveys have naturally obtained more information than the simple fact of radio ownership. We know, for example, that in urban communities approximately 95% of all radios are kept in working order; that 76% of radios are in use sometime daily; that 57% are in use sometime before 6:00 P.M. and that 64% are in use sometime after 6:00 P.M. daily. Breakdowns in the daily use of radios are available by income levels, by city size, by days of the week, by time zones and by seasons of the year. We know further, that the average radio set is in use over four hours daily and that the average length of the listening period has increased directly with the number of years a set has been owned. For example, families owning a set one or two years listen for an average of four and a half hours daily, while those owning a radio six years or more average *another* half-hour of daily listening. Listening appears to increase with familiarity.

The distribution of the listening audience by age and sex has been determined for the broad time divisions of morning, afternoon and evening. In the morning and afternoon the female audience averages over 65% of the total, while in the evening male and female listeners are almost equally divided. Further breakdowns of the listening audience by sex and age groups are now being obtained by individual hourly periods of the day and night.

On the question, "When do they listen?" we have considerable data by half-hour periods. These data have been collected for us over the past several years by the Dr. Daniel Starch and Staff research organization. These data indicate the listening load on a coast-to-coast year 'round basis for the average weekday. Similar information is available by individual days of the week, by time zones (based on local time in each zone) and by seasons of the year.

These examples of some of the gross measurements which have been conducted in the analysis of the radio market will at least indicate something of the nature and scope of such research activities.

The American radio audience—in other words, the gross circulation of the medium—is so large today that any program, at any hour, has its listeners. How many, of course, depends on the program, the hour, and the stations. And advertisers, once their programs have been launched, are naturally more interested in the actual audiences to these programs than in the fact that "everybody" today owns and listens to radio. We believe that radio has lent itself particularly well to measurements of its net advertising circulation. It has even been said that our measurements of actual listening audiences have stimulated the use of similar research techniques in other and older fields of advertising. I should like to outline here some of the methods by which actual net advertising circulation of radio programs is determined.

The telephone was probably used in market research long before radio was born but I believe that A. T. & T. should declare a special dividend on behalf of broadcasting, and I am not referring to the 5 million dollars paid annually for rental of lines nor to the hundreds of thousands of telephone calls which are received weekly by Major Bowes and his amateurs. Radio has found the telephone a particularly useful research tool because it enables us to obtain simultaneous records (as well as remembered impressions) by making thousands of interviews while a program is actually on the air and securing an adequate sample during the broadcast itself.

There are a number of different types of telephone surveys and one of the most popular in current use is the so-called coincidental telephone survey. This method, as you probably know, consists of having trained investigators make random telephone calls while the program is actually on the air. While this type of survey does present factual evidence regarding the actual listening audience to a given program, it has several shortcomings from a pure research point of view. There are at present more than twice as many radio homes as telephone homes and only in the upper economic brackets do we find telephones and radios both in universal use. For the advertisers who seek to reach the masses, a low rating in telephone homes may not indicate a failure to reach the desired market. The telephone method is not entirely practical in small towns and rural sections. In spite of these weaknesses, however, the coincidental telephone survey offers a quick and fairly inexpensive means for an advertiser to determine what share of the total listening audience, among telephone homes, he may be reaching.

Another type of telephone survey, which is now being used extensively by the Cooperative Analysis of Broadcasting, may be described as the unaided recall technique. In this continuous radio survey telephone calls are made during four periods of the day—around noon covering programs listened to between 9:00 A.M. and 12:00 noon; at 5:15 covering programs between noon and 5:00 P.M.; at 8:15 covering programs between 5:00 and 8:00 P.M. and at 9:15 A.M. covering programs heard after 8:00 P.M. the previous evening. The procedure is to ask the listeners to report the periods during which the set was in operation and the programs heard during each period. This technique has the advantage of obtaining more information from each person interviewed than the coincidental telephone method, but of course is subject to the same criticism in that it fails to obtain a true cross-section of the radio audience. Non-telephone homes and smaller cities are excluded. There is a further weakness due to memory loss which is particularly important in the case of daytime programs and all programs low in name memory value. In this connection it is interesting to note that a coincidental telephone survey conducted in such a way as to exactly parallel the unaided recall telephone survey for certain daytime programs revealed marked differences in the actual audience figures for specific programs. The differences between the ratings for several programs as determined by the two techniques were so great as to raise serious questions regarding the validity of the unaided recall technique as a measurement of the actual audience reached by certain daytime programs.

It must be recognized, of course, that the Coöperative Analysis of Broadcasting plainly states that one of its functions is "to measure in telephone homes in 33 major cities the *relative* size of the radio audience that remembers having heard individual programs."

As a matter of general interest you might like to know the names of some of the so-called high-ranking programs as determined by these continuous telephone surveys. Among the current leaders are: Charlie McCarthy and the Chase & Sanborn show, Major Bowes, Jack Benny, Eddie Cantor, Bing Crosby, Lux Radio Theatre, Fred Allen, Rudy Vallee, Burns and Allen, Hollywood Hotel, Al Jolson and Phil Baker.

Anther type of audience measurement which has been used successfully might be termed the "complete program roster method" or personal interviews by aided recall. This method requires a trained staff of interviewers to call directly on selected listeners. The investigators are equipped with printed lists of all the programs broadcast during the period under study. Each program is listed by name, underneath the call letter of the station and opposite the time of its broadcast.

All classes of homes can, of course, be covered by this type of survey and the "sample" can be carefully controlled. A large amount of information may be obtained, such as the size of the cumulative listening audience reached by specific programs, and reactions to different phases of the program. It is also possible to obtain data on brand use of various commodities in homes where specific programs are heard as compared with those who do not regularly listen to these given programs.

It must be borne in mind that the recall survey tends to produce some errors of omission due to memory loss and that the recognition method facilitates errors of commission due to checking full programs that are only partially heard. Furthermore, the personal interview aided recall survey is an expensive technique if used only for an individual program sponsor.

The most recent, and perhaps one of the most interesting radio survey techniques which is now being developed, employs electrical recording devices which can be directly attached to radio receiving sets. These instruments make a continuous record of the times when sets are tuned in and also the stations to which they are tuned during the period of a week or even a month. Some very interesting results have already been obtained from the experimental work conducted in 1000 homes in Boston and some progress is being made in extending this type of measurement to a nationwide scale. Among the difficulties yet to be overcome are that the recorders are still too costly to make widespread distribution possible in the near future. There is also the perennial problem of obtaining a thoroughly reliable and representative sample of the radio audience. These recording devices, however, should produce a good deal of material of real value. They will provide data on the actual size and type of audience which a program commands, the preferences of different types of people for programs of various sorts. They will even provide information regarding the points where people tune out particular programs and thus enable us to learn what objectionable features exist, if any, in the program itself or in the commercial announcements.

In addition to overcoming the failings of human memory, such recording devices have the further advantage of providing comparable data for a long period of time in each home. This is of particular value in determining the turnover or cumulative audience reached by a series of broadcasts. For example, a morning program broadcast five times a week with an average daily audience of 3% of the available radio audience actually reached 12.8% of the listeners sometime during the five periods it was on the air—showing for the first time the exact turnover in this audience from day to day.

Some of you may have observed the conspicuous omission of station coverage studies in this paper on the radio market, and I should like to explain that an adequate discussion of this subject would take far more time than I have at my disposal today. Furthermore, the Joint Committee on Radio Research has been devoting the major share of its time and money to this problem and Dr. Weld, the Chairman of its Technical Committee, is presenting a special paper on the subject of station coverage at this meeting.[1]

In conclusion I should like to point out that, despite the variety of research methods used in the field of radio broadcasting, a rather remarkable agreement on certain basic results has been attained. Furthermore, considerable progress is being made in the standardization of the research techniques employed in the study of this most recent province of advertising.

[1] Published in the *Journal of the American Statistical Association,* March, 1938.

Progress in Marketing Research

Committee on Research

FERDINAND C. WHEELER, Chairman

A. Research in Universities

By Malcolm D. Taylor, University of North Carolina

University of California

"Decline of Egg Quality During the Marketing Process" is the title of a study by Professor H. E. Erdman, Agricultural Economist on the Giannini Foundation and Mr. George B. Alcorn, Research Assistant on the Giannini Foundation. It was released in January, 1938, and copies can be secured free from the California Agricultural Experiment Station at Berkeley (mimeograph report, Number 63). A detailed investigation of the length of time eggs remain in a retail store was made in connection with the above study

Changes in the quality of eggs were ascertained by candling and then breaking out, at intervals during a two-week period, eggs kept under two sets of conditions. One set of conditions represented those of summer in a San Fernando Valley feed room followed by a trip to Los Angeles where the eggs were kept on the warehouse floor during the length of time it commonly takes for eggs to move to the consumer. The second set of conditions differed only by the fact that the eggs were kept in a burlap cooler on the farm and in a merchandising cooler at the warehouse. The eggs showed a fairly steady decline in quality when judged by the two indicators commonly used by the trade, namely yolk shadow and air cell. The same general decline was found upon breaking the eggs. A study of eggs in retail stores disclosed a wide range of quality. This was doubtless a result of differences in age of eggs, temperature or other keeping conditions, and perhaps of variations traceable to hereditary conditions.

The study suggests that two ways of improving the quality of eggs reaching consumers may be (1) decreasing the length of time they are on the way from the producer and (2) improving the conditions under which they are kept during the marketing process.

Three budget studies, made by the Heller Committee for Research in Social Economics, were described in the January issue of THE JOURNAL. They are based on prices prevailing in San Francisco in October, 1937, and the same articles were priced as in the 1936 study. These budgets, compiled annually since 1923, serve the double purpose of estimating the cost of a "health and decency" standard of living at different socio-economic levels and of maintaining a retail price index which will measure changes in the cost of living from year to year. These publications may be obtained from the University of California Press at Berkeley. Titles and prices, including postage, are as follows:

1. "Quantity and Cost Budgets for Four Income Levels" .... 75 cents.
2. "Clothing Budgets" (Supplement to the Quantity and Cost Budgets for Four Income Levels) .... 35 cents.
3. "Quantity and Cost Budget for Dependent Families or Children" (Extract from Quantity and Cost Budgets for Four Income Levels) .... 20 cents.

A study by Doctor Leila Doman, of the Department of Home Economics of the University of California at Los Angeles, is described under Cornell University.

University of Chattanooga

Professor Clyde William Phelps' study of "Controlled Installment Credit," which was listed in the January, 1938, issue of THE JOURNAL, is now available in printed form, and copies can be secured free from the Department of Research of the Household Finance Corporation, 919 North Michigan Avenue, Chicago, Illinois. This is the fifth in a series of research studies that Professor Phelps is making for the Household Finance Corporation. In this study, six basic principles of a controlled credit policy for any store in any kind of retail business are applied in turn to each of the two major types of goods sold on an installment basis, namely, durable goods, which can be repossessed, and non-durable goods, which cannot be repossessed. The six fundamental principles are as follows:

1. Select carefully all new installment customers after thorough investigation.
2. Establish terms which are both sound and fair, and explain them clearly.
3. Follow up promptly, sending out the first reminder on the next day if possible (or within five days at the latest) after payments have become past due.
4. Suspend the credit privileges of those customers who become delinquent, until payments have been restored to a prompt basis.
5. Help delinquents, by showing them how they can pay you, instead of merely dunning, threatening or repossessing.
6. Act decisively with those who are able but apparently unwilling to pay by promptly using collection pressure, collection agencies, repossession or legal services.

University of Colorado

"Cost of Doing Business Survey of the Petroleum Retailers in Denver" is the title of a study made by the Bureau of Business and Government Research. Its purpose was to determine typical operating expense and sales figures for the petroleum retailers doing business in Denver. Twenty-seven concerns are included in the study. Only 17 of these reported a profit, however. Copies of the study may be obtained from the Bureau.

Cornell University

"A Study of Price Differences in Retail Grocery Stores in New York State" is the title of a fifty-two page study by Dr. Leila Doman, who is now teaching in the Department of Home Economics of the University of California. Copies may be obtained free from the Cornell University Agricultural Experiment Station, Ithaca, New York (Bulletin, Number 665).

The purpose of the study was to obtain information regarding the money savings possible for household buyers who can take advantage of the differences in prices commonly found among retail stores. Three types of price differences were studied: (1) differences between sale prices and regular prices of identical articles in the same store: (2) differences between prices of identical articles on the same day in stores of the same shopping district; and (3) differences between prices on different quantities of identical products in the same store.

Professor Marius P. Rasmussen's study of the "Use of Motortrucks in Marketing Fruits and Vegetables" has been completed. Copies can be obtained from the Farm Credit Administration, Washington, D.C. (Bulletin Number 18). This study was undertaken in 1934 under the direction of Professor Rasmussen, by the Coöperative Division of the Farm Credit Administration, in coöperation with the State agricultural colleges and experiment stations in the nine states from which New York City receives its principle supplies of fruits and vegetables by motortruck. Its purpose was to develop basic facts which would assist growers, farmers' coöperative associations, dealers, and other members of the produce trade in determining the most effective use of the motortruck in marketing fruits and vegetables; and to ascertain how those concerned are now meeting the problems which have arisen during recent years.

De Paul University

Professor L. M. McDermott has completed his "Real Estate Survey" and mimeographed summaries of the study may be obtained from the author. Data were secured in interviews with 8,104 families in Chicago. Among other things, information was obtained on the following points: reasons why people buy houses, the proportion of homes owned and rented, the proportion of homes mortgaged, where those who contemplated purchasing a home planned to buy and when, and how much prospective buyers planned to pay for a home.

Professor McDermott has in process a study of "What Families Plan to Buy Next." This is the fifth in a series of reports on this subject. The other surveys were made in 1932, in 1934, in 1935, and in 1936. Summaries of the study will be available when it is completed.

University of Florida

Two bulletins have been released on the study of "Florida Citrus Prices," which is being made by Professor A. H. Spurlock of the Department of Agricultural Economics of the University of Florida and Marvin A. Brooker, Chief Statistician of the Farm Credit Administration, Columbia, South Carolina. The purpose of this study is to present a three-year summary of the average monthly prices received from auction sales of Florida citrus by kind, varieties, grades, and sizes of fruit; to ascertain the average costs of marketing the fruit at auction; and to determine the net amount which the shipping agency received both from auction and non-auction sales. The study is based upon shipments from 31 Florida packing houses to five auction markets: New York, Chicago, Detroit, Cincinnati, and Pittsburgh; and to three additional markets for f.o.b. direct and broker sales, namely, Minneapolis, Kansas City, and New Orleans. New York received almost twice as much Florida fruit during the three seasons studied (1930-31, 1931-32, and 1932-33) as the four other auction markets combined. It was found that the price per box for oranges usually was somewhat higher on the New York auction than the average of the other auctions when the same grades and varieties were compared. Copies of these studies may be obtained from the Agricultural Experiment Station at Gainesville (Bulletins Number 315 and 317).

University of Iowa

"Coöperative Fluid-Milk Associations in Iowa" is the title of a seventy-two page study which was recently released. It was made by Professor Paul E. Quintus of the Department of Agricultural Economics of the Iowa State College of Agriculture and Mr. T. G. Stitts, Principal Agricultural Economist of the Farm Credit Administration. Broadly, the purpose of the study is to present a general picture of the coöperative movement as related to the production and marketing of fluid milk in Iowa. It includes: (1) a description of supply and market conditions within the state; (2) organization histories that contributed to the present coöperative organization; (3) description of the more fundamental coöperative features of these associations; (4) their methods of financing; (5) the functions performed; (6) producer and dealer relations; (7) price plans; and (8) other related and pertinent facts. Copies of the study may be obtained free from the Iowa Agricultural Experiment Station or the Farm Credit Administration.

University of North Carolina

"Cotton Marketing in the Salisbury Area of North Carolina" is the title of a study recently completed by J. W. Wright, G. R. Smith, and J. A. Shanklin of the North Carolina State College of Agriculture and Engineering. The specific objectives of the study were to determine:

1. The relationship between quantities and qualities of cotton produced and consumed within the Salisbury area.
2. The market outlets of cotton produced within the area.
3. The quality requirements of local cotton manufacturers, their sources of raw cotton, and their attitude toward local cotton.
4. The marketing methods and practices of growers in the area and the extent to which growers are given information regarding the quality and market value of their product.
5. The buying and selling practices and problems of local marketing agencies.
6. The effect on prices received by growers when classification and market value are known.
7. The feasibility of providing classification and market news services in a form that can be used effectively by growers as well as by marketing agencies.
8. The possibilities for integrating the services referred to in (7) with the existing market organization and marketing procedures.

The procedures adopted in working out the problem consisted of the collection of basic data by means of field surveys and the establishment, locally, of classification and market news services designed to provide preliminary tests of their effectiveness under the existing marketing situation.

The following suggestions are made by the authors for improving the marketing situation: (1) sale of cotton through established coöperative marketing channels; (2) sale through community pools or public auction of pooled lots; (3) integration of classification and market news services, on a self-supporting basis, with the existing market mechanism.

Copies of this study may be obtained free from the Agricultural Experiment Station at Raleigh.

University of Oregon

The last three articles in a series written by Professor N. H. Comish of the School of Business Administration, on his study of "The Methods Used to Select, Train and Promote Retail Employees in Oregon" appeared in the November, December, and January issues of the *Oregon Merchants'* Magazine. Data for these articles were based upon personnel interviews with 199 selected Oregon merchants.

The sixth article in the series appeared under the title "Methods Employed to Build Sales Talks," in the November, 1937, issue. It was found that the 199 retailers interviewed used a variety of methods and combinations of methods to build sales talks. Forty-two per cent merely require their salespeople to study their stock, and then leave them to experiment in building their own sales talks. Thirty-one per cent require a knowledge of a model sales talk of some of their salespeople. Forty-seven per cent let some of their salespeople build their own sales talks, without even checking upon their knowledge of the merchandise. Forty-one per cent of the merchants require their new salespeope to practice selling under experienced salesmen. Seven per cent of the retailers use the movie as an aid to building the sales talk. Four per cent require their new salespeople to memorize and follow a standardized sales talk.

The seventh article, "Methods Used to Teach a Knowledge of Stock," appeared in the December, 1937, issue. It was found that seventy-six per cent of the retailers interviewed use buyers to instruct salespeople about merchandise; that 67 per cent employ salesmen to teach salespeople about stock; that 83 per cent request their salespeople to study the merchandise and its labels; that 68 per cent ask their salespeople to study store advertisements; that 64 per cent require their salespeople to read trade journals on merchandise; that 11 per cent make use of the libraries for instructional help; and that 56 per cent use merchandise manuals to impart a knowledge of the merchandise.

"Incentives for a Better Performance of Store Employees" is the title of the eighth article which appeared in the January, 1938, issue. While the incentives used varied with the type of store studied, written instructions covering suggested methods of performing tasks are given employees by 26 per cent of the 199 merchants interviewed. A list of the qualifications of salespeople is furnished by 17 per cent of these retailers. The progress of their salespeople is checked by 84 per cent of the merchants. Standard achievements to measure the progress of salespeople are used by 65 per cent. Fifty-eight per cent promise promotions or wage increases for a better performance of duties; and 78 per cent actually do give greated pay for greater effectiveness.

Doctor Comish has completed his study on special retail sales in selected Oregon stores. The purpose of the study is three-fold. (1) to discover the prevalence of different types of special sales; (2) to find the weaknesses and advantages of special sales; and (3) to suggest methods by which special sales might be made less costly and more effective. Data were gathered by personal interviews with 277 selected Oregon merchants by the author and four of his research students. The study covers the year 1934, and it will be published in a series of articles in the *Oregon Merchants'* Magazine.

B. Research in Government Bureaus

Edward L. Lloyd

Bureau of Agricultural Economics:

A general survey of Federal and State laws and regulations affecting interstate trade in agricultural products is being made by George R. Taylor and Edgar L. Burtis. There is a growing interest in this subject and a growing realization that many kinds of legislation, either directly or indirectly, tend to favor certain groups of producers or certain areas at the expense of others. The general purpose of the study is to see how the farmer, the dealer, and the consumer can be properly protected without at the same time obstructing free trade and discriminating unfairly against different groups of producers.

The Bureau has recently published the results of a study "Dollar Sales, Capitalization and Earnings of Leading Food and Tobacco Corporations," by Mr. A. C. Hoffman and is conducting several studies for the purpose of defining the interest of the American farmer in marketing developments; Mr. Hoffman also has under way a study which is concerned with the results of the special sales campaigns on perishable foods which have been made by the chain store systems.

The recently developed information service to shippers and exporters has resulted in special precautions in elevating and transferring soybeans, which is said to have made a much more acceptable product to foreign buyers. A comprehensive study of sales contracts used by trade organizations in the marketing of dry edible beans and peas, and one of the marketing of dry peas in the Northwest have also been completed. Experimental work carried on by the Bureau last season will be continued during this year, working toward the establishment of grading standards for snap beans for canning or freezing. The grading standards for unshelled pecans are being revised. The use of grading standards for raw products to be used for canning or freezing makes it possible for manufacturers to pay growers on a basis of quality.

The Bureau's current research program includes several studies of wool and in coöperation with wool growers organizations and State experiment stations in leading wool areas an extensive program of research is in progress dealing with wool shrinkage and values. The objective of this study is to develop a method which would enable the wool grower to determine the value of his clip in relation to terminal market prices quoted on a cleaner fiber basis. A research project designed to establish a closer correlation between live cattle by grade and the beef that is produced therefrom and one conducted at the National Research Center at Beltsville, Maryland, to determine the physical characteristics of each class and grade of slaughter livestock are under way. The general objective of both of these studies is to establish more definitely the characteristics of each grade of slaughter livestock and of meat in order that the official United States grades may be more widely used in commercial trade. Further research is going forward in the Bureau upon the marketing of stocker and feeder animals direct from growers to feeders to determine the trend of this method of marketing. This is a part of the study which has been in progress on the direct marketing of livestock.

A broad program of research in the field of cotton marketing is being conducted which, in general, is directed toward facilitating the marketing process and reducing marketing costs. The methods of packaging cotton lint and the intricate procedures of marketing are receiving special attention as are the permanent identification of individual bales of cotton and the automatic sampling of bales. The Bureau has been working on some additional sections of the special study of the world cotton situation which was undertaken at the request of the Secretary of Agriculture to meet pressing needs for basic information and for an analysis of the many problems encountered in developing and carrying out a program for American cotton producers. Parts 1 and 2 of the additional sections have already been released, and it is hoped that a third section of this study will be released before very long. The entire report should be of interest and value to those engaged in all of the various aspects of cotton production and distribution.

In coöperation with Northeastern Dairy Conference, a plan is being worked out to coördinate the collection of statistics on milk and its products in the Northeastern states. The Bureau is also making an investigation of producers' advertising programs of fruits and vegetables in an attempt to appraise the value and effect on consumption, prices, and income to fruit and vegetable producers. The second annual report on tobacco statistics published jointly by the Bureau of Agricultural Economics will be released in published form in the near future. This report will contain comprehensive statistics on acreage, production, prices, and value of tobacco by states and types, foreign trade statistics, and other data. Work is now practically complete on estimates of sales and income of tobacco by months and by states.

Bureau of the Census:

A monograph was recently released covering a study made of voluntary group and cooperative wholesale grocers, based on the 1935 Census of Business returns. Each wholesaler in the country was asked to indicate on his regular census report whether the business was operated by a coöperative group of retailers or whether he was sponsoring a coöperative group. By definition for purposes of the study, a voluntary group wholesaler was one who established merchandising affiliations with a selected group of retailers, while a coöperative wholesaler was one who functioned as an incorporated wholesale company owned and controlled entirely, or largely, by retailers.

Due to the irregularity of reporting some kinds of business and to the limited number of such operators in certain trades, this study was restricted entirely to the coöperative and voluntary wholesalers in the grocery trade. The report states that there were 157 coöperative warehouses and 584 voluntary group wholesale establishments in the grocery trade at the close of 1935. The count did not include buying groups or other such operators without recognizable places of business. In the case of wholesale chain organizations sponsoring voluntary groups, each branch or establishment engaged in group merchandising was counted separately.

The net sales of the 157 coöperatives amounted to $144,054,000 for the year 1935, while the 584 sponsoring establishments reported sales of $578,019,000. The combined total business, therefore, amounted to nearly three-quarters of a billion dollars, accounting for approximately 37 per cent of the business of all full-line grocery merchant wholesalers.

Operating expenses of the coöperatives amounted to over 5 per cent of total sales, while sponsoring establishments incurred expenses amounting to 10 per cent. It was found the pay rolls for coöperatives equalled almost 3 per cent of sales, as compared with over 6 per cent for sponsoring wholesalers. The full-time and part-time average for the year for employees of retail coöperatives was 2,821, while the voluntary group employed 21,684.

Operating expenses in terms of sales were slightly higher for voluntaries than for non-sponsoring wholesalers, 10 per cent as compared with about 9 per cent. The expenses of coöperatives were about on the level with cash-and-carry depots. Operating costs per dollar sales were higher for voluntary groups than for retailer-owned wholesalers, as borne out by the report, primarily because of added services rendered by them. In general, they have a more liberal credit policy than coöperatives, both in terms of the amount of credit and the length of credit period; they also employ a larger personnel for an equal volume of sales. It is interesting to note that the group merchandising movement has gained greatest headway in the New England, Middle Atlantic, and Pacific Coast States—states with large population centers. These facts and many more are presnted in detail in the report. Complimentary copies may be had by genuinely interested persons by addressing the Census Bureau.

During January the Geographer's Division initiated a project designed for the measurement of township areas in ten States, namely, Iowa, Maryland, Massachusetts, Michigan, Minnesota, New York, North Dakota, Pennsylvania, West Virginia, and Wisconsin. It is anticipated that these measurements for all States will be completed in time for use in connection with the Decennial Census. If such is the case, it will be possible to add a refinement approximately sixteen times greater than the county breakdown used in previous censuses. This more detailed area breakdown will furnish a basis for making comparisons which should greatly enhance studies in marketing within densely populated areas of the United States. The expense of this project is being borne in part by the Works Progress Administration.

Only during the last decade has it been possible to obtain State and county maps of sufficient accuracy and coverage to use in making these detailed measurements. Some of the Government agencies which have contributed measureably to the improvement of county and State maps are the Tennessee Valley Authority, the United States Geological Survey, and the United States Coast and Geodetic Survey. Measurement of township areas in the United States is part of a long-range program of the Division which has included, for the Census of 1930, a complete map record and boundary description for every census area and the preparation of State outline maps. Besides the value that will be added to the Sixteenth Census (1940) by the use of township figures, the finer breakdown should also prove useful in preparing detailed population density maps and in presenting data published in the Statistical Atlas of the United States.

The Bureau of Foreign and Domestic Commerce:

Since the last issue of THE JOURNAL the Bureau of Foreign and Domestic Commerce has published its annual estimates of Wholesale and Retail Trade in the United States for the year 1937. Copies of each of these estimates are being mailed by the Teaching Materials Committee to members of the Association. The wholesale estimates show the dollar volume of sales by years from 1929 through 1937 by principal type of wholesale operations and for the major kinds of business in the full-service and limited-function wholesalers classification. Retail Estimates cover a like period and are shown by kinds of business.

The Marketing Research Division has recently releaseld a publication known as "Pattern of Stores, Sales and Populations in the United States." This volume brings together a series of sixteen maps which originally appeared in *Domestic Commerce* and which are designed to present a general picture of the location of potential markets that will aid manufacturers and distributors to more definitely locate and better view localities in which opportunities for sales are large. One of the interesting facts revealed by these maps is that rural markets cluster in a pattern not unlike that of urban markets, therefore, distributors located in the towns, which they serve, may also serve markets in the contiguous rural sections.

The 1938 edition of "Market Research

Sources" which brings up to date the record of marketing research in the United States will be available shortly. All known available sources of research in this field have been included. This edition (the seventh) lists material published in the years 1933 to 1936, inclusive, and most of 1937, and includes a suggested list of periodicals with the addresses of the publishers. Another volume scheduled for early spring is the "Atlas of Wholesale Grocery Trading Areas." This report, which is in the nature of a revision of the Atlas of Wholesale Grocery Territories published by the Bureau in 1926, will delineate the wholesale grocery trading areas of 184 major centers of wholesale grocery distribution; the 184 areas together making up a jig saw map of the United States. One improvement in method adopted in the preparation of this atlas is the recognition of the overlapping of trading areas, and the delineation of such overlapping where it was shown to exist. In addition to individual maps of the trading areas the atlas will include a large United States map showing all of the areas, without the overlapping. Accompanying market data tables will show by trading areas, counties and cities and other incorporated places of 2,500 population or more; the 1930 population; the number and net sales in 1935 for full-line, full-service, and limited-function wholesale grocery establishments; retail food stores; and general stores (with food). Additional pertinent statistics will be presented on a state basis.

Other forthcoming studies of the Marketing Research Division include a statistical analysis of small scale retailing, and a further study on the effect of city water and sewrage facilities on industrial markets. The first of these is an appraisal of that large block of small stores with a sales volume of less than $10,000 annually. These stores are classified into five size-of-business classes according to 25 kinds of business, location by states and location in rural and urban areas. The data analyzed include the number of stores, amount of sales, and of expenses, and the number of proprietors and employees engaged in the business. This second report is an expansion of the survey published in July 1937 under the title "Effect of City Water and Sewrage Facilities on the Market for Air-Conditioning Equipment." As a result of the demonstrated value of this earlier report, which was a survey of water resources of all cities of 100,000 population and over in the United States the forthcoming report covering cities of 20,000 population and over was undertaken. The material contained in this publication should be of great value in indicating market possibilities to all who manufacture and distribute air-conditioning equipment.

The Bureau's annual study of retail credit is now under way and is expected to be published in June. This study will show the comparative amounts of credit extended, collections made, and bad debt losses for 1936 and 1937 upon both an installment and open credit basis. A report showing the trend of installment terms in December, 1936, and 1937, was recently issued. This reveals broad tendencies in installment terms among automobile dealers, department, furniture, men's clothing, electrical appliances and jewelry stores.

In the interest of timeliness and economy the Bureau's review of domestic business appeared as a special annual review number of the *Survey of Current Business*. The material contained in this volume formely appeared, at a much later date, as Volume I of the "World Economic Review." The review discloses that further net improvement was experienced during 1937 with economic activity in the first 8 months of the year reaching a level only slightly under that of 1929. These earlier gains, however, were somewhat offset by the sharp recession in the last 4 months of the year. The February issue of the *Survey* presented estimates of monthly income payments, in the United States, 1929-1937. This was the first of a series which will be regularly carried forward in the *Survey*.

Bureau of Home Economics:

Press releases and preliminary reports continue to come from the Study of Consumer Purchases. Releases on family income have been completed, those on family expenditures are well under way. Almost 63,000 families gave information for the income study and approximately 34,000 are included in the reports on family expenditures. Reports will be issued for five regions, covering data similar to that for Pacific Coast families which are summarized here.

Almost 3,000 Pacific Coast families, representative of the native-white population of four small cities and 24 villages in Washington, Oregon, and California, reported the amount of their expenditures for a 12-month period in 1935-36. The study of consumption in this region was limited to non-relief white families that contained a native-born husband and wife who had been married at least a year and revealed that families at all income levels spent more of their income on food than on any of the other main groups of items. Food accounted for from 20 to nearly 40 per cent of total expenditures, the percentage varying inversely with income level. Among the lower-income families, housing was next after food and accounted for a little more than one-tenth of the total. In contrast to earlier studies, the Consumer Purchases Study of 1935-36 shows the relatively large share of family spending allotted to the automobile. For the Pacific Coast small city and village groups as a whole, purchase and operation of automobiles was second only to food in family purchases. In the lower-income groups the family automobile achieved only fourth or fifth place among the categories of expenditure. Clothing accounted for about one-tenth of family spending. Families in the higher income groups not only spent larger average amounts for clothing than did those at lower income levels, but devoted a larger percentage of total expenditures to clothing. The five categories of family living expense, food, housing, household operation, clothing, and automobiles, together accounted for approximately three-fourths of the total expenditures reported by families studied in Pacific Coast villages and small cities. Medical care, gifts and community welfare, recreation, personal care, tobacco, reading, education, transportation other than by family automobile, and other items, in the order listed, accounted for the remaining one-fourth.

Preliminary releases providing similar data for farm families in the Pacific Coast region and for farm, city, and village families in other regions are available from the Study of Consumer Purchases, conducted by the Bureau of Home Economics. Complete reports, providing more detail on family income and expenditures will be available for five regions, New England, Central, Southeast, Rocky Mountain and Plains, and Pacific. A special analysis of 21,000 representative city, village, and farm families in all regions has yielded information in the cost and nutritive value of their diets.

While very few families managed to procure good diets for less than $100 per person in 1936, and almost every family with as much as $250 per person per year succeeded in getting good diets, the grade of diet secured by families with intermediate amounts to spend for food varied considerably. Among these families the quality of the diet was conditioned as much by ability to select food yielding high nutritional returns, and by market supplies and traditional food habits as by the amount spent for food.

The results of a study of automobile purchases by farm families in 1935-36 made by the Bureau and based on a survey of 17,000 families in 64 counties which were representative of type of farming regions in all parts of the country reveal some interesting facts. Most farm families have autos; the number of these families owning cars was relatively higher in the Pacific region of the country with a ratio of 971 to 1,000 and in Kansas and North Dakota with 965 to 1,000 than in other states; they buy on the average of twice as many used as new cars.

C. Research in Private Organizations

Ferdinand C. Wheeler

Machinery and Allied Products Institute:

Another interesting booklet has emanated from this Institute under the title of "Saving and American Progress." This is the most recent of a series of studies on the general subject of technology and the American standard of living. This booklet is a discussion of the relation of wealth-creating enterprise to employment. The pamphlet culminates in a group of ten conclusions drawn from the statistical material and discussion outlined in the pamphlet itself. It is particularly interesting and engaging because it is presented as a discussion between two typical Americans on the question of "Saving vs. Spending" as a national policy for business and industry. The work is replete with data and, carried on in this dialogue fashion, it makes easy, interesting and stimulating reading.

Macfadden Publications, Inc.:

Some time ago the Macfadden Publications issued a study on "Magazine Homes and Branded Merchandise." They have recently released a supplement to that study—under the title of "The Size of the Market in Magazine and Non-Magazine Homes." The original publication was on a purely qualitative basis, showing a relative picture of the situation in any hundred magazine homes and any hundred non-magazine homes. The recent release is a quantitative analysis as a further development of the original study conducted in Ft. Wayne, Indiana. It shows, on a total volume basis, the percentage of users of national brands of a variety of products, the users of other brands —chain and local private brands—and the percentage of non-users. In each case the data are shown for both magazine homes and non-magazine homes. This additional study was made in response to requests for such a breakdown and, in general, it shows a highly creditable position for the national brands on all products.

American Retail Federation:

On the theory that the rules of business are written in the State Capitols as well as in Congress, the Federation has recently (Feb. 1938) issued a review of legislative enactments under the title "Retailing and the 1937 State Legislatures." Under the general heading of "Taxation," sales and use taxes and chain store taxes are treated; under "Trade Regulations" such statutes are discussed as touch Retail Price Maintenance, Trade Mark Registration, Trade Practices, Sales Below Cost, Price Discrimination and Professional Services; and under the heading of "Labor" the discussion covers Minimum Wages, Hours of Labor, Child Labor, Labor Relations and Prison-Made Goods. Unemployment Compensation, Public Assistance and Workmen's Compensation are treated under "Social Security." This review gives a list of the several states in which each type of legislation has been adopted and contains many interesting observations and comparisons.

Columbia Broadcasting System:

Under the title "Radio Goes to College" this organization published in January (1938) "a study of today's radio listening—by tomorrow's leaders of the nation." This is a survey of the radio listening habits of college students, from freshmen up to and including seniors. The study was made in the name of the Radio Research Bureau in eighteen institutions—the students doing the field work under faculty supervision. It reported the results of about 2,500 interviews. One of the interesting reflections was that, as undergraduates progress through college, their interest in cultural and educational programs increases. In the order of preference, dance orchestra programs, for instance, ranked second with freshmen and eighth with seniors, whereas symphonic music programs ranked tenth with freshmen and rose to second place among seniors. The work is presented in an attractive book, profusely and humorously illustrated and throws considerable light on the importance of the radio in current college life.

The Progressive Grocer:

This organization, through its editor, Carl W. Dipman, advises that they have just completed a more or less comprehensive survey of the retail food trade. The study represents an analysis of reports from nearly 3,000 grocers from various parts of the country. From these reports the Progressive Grocer is preparing a book which will be available in the course of a few months. It will, however, contain comments on the relative ups and downs of different kinds, sizes and types of food distributors. It will contain carefully prepared estimates of food volume for chains, independents and specialty stores, showing the total 1937 sales and their relative increases or decreases. It will also contain a series of six comprehensive articles on self-service in food distributing stores including a discussion of problems and a large number of technical factors involved in store planning. The book, which will appear under the title of "Facts in Food and Grocery Distribution" will, upon publication, be available to any one who requests a copy from the Progressive Grocer at 161 Sixth Avenue, New York City.

Household Magazine:

This magazine has just released a survey entitled "40% of Small-Town Women Buy Cosmetics in Larger Cities." This survey was based on 1,500 returns from women in small towns and indicates that 40% of them buy most of their cosmetics in a near-by large city. Of the 60% reporting that they bought most of their cosmetics in their home town, one-third revealed that they had made additional purchases of beauty products in a larger city. These findings tend to show that an appreciable percentage of beauty products and toilet goods sales in large cities are made to women living in neighboring small towns. The United States Census of Retail Distribution for 1935 places 27% of total drug store sales in towns of less than 10,000 population. If to this were added the sales made in large cities to people coming in from small towns, the percentage of total drug store sales going into the smaller places would probably be materially increased. In recent months there have been quite a few studies of this type. Each such study shows, from some special angle, the superiority of the larger city or of the smaller town, or of the farm population—depending upon the angle. Unquestionably, these are all sincere, all completely honest and all capably done; but it would be interesting to get them all together to see in what manner and to what extent they agree or differ.

Household Finance Corporation:

This organization has recently published a constructive booklet on "Controlled Installment Credit." This work represents another contribution to the study of credit by Dr. Clyde William Phelps of the University of Chattanooga. Dr. Phelps explains: "This booklet is written in the belief that recent developments in installment merchandising call for a re-survey of the fundamentals of sound credit management. The purpose is not to describe special installment systems but to reconsider the problems and to set forth what appear to be the basic principles upon which successful operation of any system must be founded. We might say that it is not at all necessary to adopt a controlled installment credit policy, if —your competition will allow you to get an exorbitant mark-up to cover the extra costs and losses of lax installment selling. But it *is* necessary if, like most merchants, you must make your profit by merchandising at a reasonable mark-up." Dr. Phelps lists six principles which he regards as fundamental to a controlled credit policy, for any store in any kind of a retail business—whether the credit extended is open account, "budget plan" or regular installment credit. In subsequent chapters each of these principles is thoroughly elaborated. This work contains, in concentrated form, a wealth of material for any one engaged in installment marketing or retail credits.

Murphy Radio, Ltd.:

This is an English company manufacturing radio equipment. They are doing considerable consumer research in their field and apparently doing it well. Recently they completed a study of consumer preferences as to radio cabinets. They used a pictorial questionnaire—a booklet cleverly designed for return mailing. The schedule included questions concerning material for cabinets—wood or bakelite—the color desired, the finish, decorations, size, shape and the kind and position of control knobs. All of these points were appropriately and clearly illustrated with adequate explanations. The Company mailed a large number of these questionnaires to known users of Murphy sets and got the highly creditable response of 62%; while dealers, mailing the same questionnaire to non-Murphy owners, got only 10.2%. This is quite a wide variation but we know too little of the circumstances here to explain either the reason for or the significance of this difference in the response. That hidden factors were at work is indicated by the fact that another study, about the same time and under the same director, on the attitude toward short wave sets, yielded 57% of responses from Murphy users and the comparable result of 52% from non-Murphy owners. In any event these returns should be highly satisfactory to the Company and illuminating as well. This work was a private study and, unfortunately, its results are not available for general publication but it is interesting to know that research is progressing in England, too.

E. I. du Pont de Nemours & Co.:

A series of store investigations have recently been carried out by the "Cellophane" Division of the du Pont Company to determine the actual extent of impulse buying in stores. The first of the series was conducted in typical food stores, some independent, some chains. Here it was found that three out of every four of the women interviewed had bought something on impulse in the store—something not on their original shopping list or specifically planned in advance; and the net summary of the findings indicated that of *all* the food merchandise, purchased by the women interviewed, 24% had been on impulse. The second survey was made in the department store field. Here the findings showed that more than three out of every five women purchased items not planned when they had entered the store, while 42% of *all* purchases made by the group interviewed were found to have been made on impulse. Such items as linens, lingerie, handkerchiefs, hosiery and hats ranked highest on the list. The last of this series of surveys was made in limited price stores. Here the returns showed that 62% of the shoppers had purchased something on impulse while the study of *all* the purchases made by the group interviewed showed that 53.8% had been purchased on impulse. In the limited price stores, candy, children's wear, underwear and greeting cards headed the list. The conclusions drawn from these significant results are all in favor of open display of merchandise and seem to confirm the present trend toward more modern and attractive packaging.

Chamber of Commerce of the U.S.:

In the latter part of last year, the Chamber issued a study on "Effects of the Surtax on Undistributed Corporate Profits." This is a compilation of statements, in digest, received by the Chamber from tax paying corporations after they had had actual experience with the surtax. These reports are from representative corporations located in all parts of the country and covering a wide range of industry and commerce. In view of the increasing importance of taxes on costs, on pricing policies and on marketing in general, this booklet is both timely and interesting.

Under the title "Farm Income in the U. S." the Chamber of Commerce has released a report for consideration by the Chamber's next annual meeting. This report includes sections on such items as "National Interest in Farm Income," "Measures of Farm Income," "Gross Income from Production," "Cash Income from Marketings of Farm Products," "Income Available for Commodity Purchases," "The Purchasing Power of Farm Income" and its "Relation to National Income." It treats also of the changes in farm commodity income relationships and other cognate subjects. The discussions in the booklet are liberally supported by tables and other data.

The Chamber of Commerce has also issued recently an interesting study of "Fare-Refunding Plans of Wholesalers." These plans, in general, represent concessions made by wholesalers in various large cities to out-of-town merchants. The Domestic Distribution Dept. of the Chamber instituted its inquiry for the purpose of ascertaining first, the extent to which fare refunding plans are now in operation in the principal wholesaling centers in the United States and second, the general trend with respect to the inauguration of new plans and abandonment of plans once in effect. The study outlines the characteristics of existing fare refunding plans and analyzes the reasons for the abandonment of others. It also includes a number of expressions from unnamed cities in various parts of the country bearing on this subject. As a method of drawing business to larger cities and away from smaller communities it is an interesting document for marketing men.

Dun & Bradstreet, Inc.:

An inquiry known as the "Business Trend Survey" replaces the Retail Survey which has been conducted for the past four years showing operating averages for somewhat more than 100 retail trade classifications. The Retail Survey will not be undertaken this year, as the four-year study revealed little shift in the annual percentages, and these were commonly in the expected direction.

Business Trend Survey figures will first be published on a summary basis, but detailed regional and trade analyses will follow within a short period thereafter. The questionnaire, which has been sent to all of the 2,100,000 names in the Dun & Bradstreet Reference Book, asks for information in four specific categories, covering the three-year period of 1935, 1936 and 1937. The first question deals with annual sales volume, the second with the vital subject of inventory, the third with receivables, and the fourth with expenditures for additions and improvements. Through the last item it is hoped to learn the attitude of business men toward permanent investment under present economic conditions. Results will cover manufacturing, wholesaling and service lines, as well as retailing.

For the past two years a study of the business changes in business ownership in the United States has been analyzed by a special staff of the Research & Statistical Division of Dun & Bradstreet, Inc. The Company's network of offices is continually making its contribution to this study. At the time investigations are made, these offices make special records of all available changes, classifying them as to whether they are an individual ownership, partnership, or corporation and they are further segregated to show whether it is a new business or a succession including old ownership or a succession eliminating old ownership.

These changes are divided into five groups: Manufacturers, wholesalers, retailers, construction and commercial service; and, within, these groups are classified similar to the major divisions used by the United States Census. This analysis was first released in the February 1937 issue of *Dun's Review,* entitled "Business Births and Deaths." It reviewed the relative changes in enterprises by industrial divisions, also the percentage of new enterprises and disappearances in each division for the first six months of 1936. A later record showed the type of changes occurring in each of the five major trade divisions for the similar period. This work is now nearing its completion for the year 1937, at which time a comparison will be made of business changes occurring during the past two years.

A series of bulletins on seasonal fluctuations and suggested fiscal closing dates for various industries and trades is being compiled at the request of the Natural Business Year Council, an organization representing accountants, credit men, and credit agencies. The study has been undertaken in the belief that dissemination among business men of a wider knowledge of the seasonal patterns of production, sales, inventories, receivables and liabilities will be helpful to management in various ways, in addition to its specific bearing on this problem. The position of Dun & Bradstreet, Inc., is solely that of impartial fact-finding agency. Promotion of the "Natural Business Year" as a concept remains a function of the Natural Business Year Council.

Arguments offered by proponents of a "Natural Business Year" include the following:

a. That a business concern can most easily take inventory and audit books at a slack period when personnel is not rushed.
b. That accountants would be able to do better work for their clients, possibly at less cost, if books were closed on dates other than the end of the calendar year.
c. That banks, credit reporting agencies and others concerned with granting credit can analyze the true health of a business concern more accurately and readily from a balance sheet taken when current items are not subject to rapid change.

Objections come from the viewpoint of students of industry as a whole. Compilation of census and some other annual figures would become increasingly difficult because part of an industry would adopt the new fiscal year, and part would remain on a calendar year. This might be solved in some industries by united action—such as the simultaneous shift of most of the fertilizer industry to a new fiscal year under the sponsorship of the National Fertilizer Association.

Each bulletin in the series covers a single industry and comprises three sections:

a. Discussion and graph of seasonal fluctuations —from various published and unpublished sources.
b. Summary of available information on fiscal closing dates used in the industry or recommended for it.
c. Recommendation of a fiscal closing date, with reasons.

The preliminary draft of each bulletin is personally checked with executives in the industry by Dun & Bradstreet reporters.

Reviews of Books and Digests of Leading Articles in Marketing

THEODORE N. BECKMAN, *Editor*

A.—Book Reviews

Retail Store Operation, by Paul H. Nystrom. New York: The Ronald Press Company, 1937. 702 pp. $3.50.

Retail Store Operation is primarily a textbook that will find wide use in night schools, senior high schools, junior colleges, and the training departments of retail stores. No attempt is made to contribute any new ideas in respect to retail operation, nor is the author critical of retail methods. His objective, in the opinion of the reviewer, is to supply a complete elementary explanation of current retailing in one volume. To reach this objective the author has necessarily omitted some of the more difficult parts of retailing. For example, little or no consideration is given to the intricacies of general management, merchandise control, the retail method of inventory, or fashion. These subjects could not be handled adequately, however, and keep the text within the limits of an elementary textbook. They are mentioned merely to indicate the exceptions in a text that in scope touches practically all phases of retail store operation.

The author has wasted no space on a detailed consideration of the various advantages and disadvantages of various types of retail institutions. After a brief introductory chapter on "Modern Retailing and Its Requirements," immediate consideration is given to the actual processes of retailing. The plan of the text is simple and effective.

An explanation of the technical procedures in retailing is given in two chapters on Merchandising and Aids to Merchandising. This is followed by some twenty chapters on the various detailed operations in retailing which are essential to performing the merchandising process. An illustration of the conciseness and range of subject matter may be given by citing the chapter of thirty-nine pages headed Aids to Merchandising. Over ten pages are used for illustrative forms and charts. On the remaining twenty-nine pages the following detailed subjects are treated: The Sales Plan. Selling Calendar. Six Months' Sales Plans. Planned Stocks. Stock Turnover. The Merchandise Budget. Merchandise Budget Forms. Open to Buy. Open-to-Buy Formula. Trip Buying or Market Plan. Miscellaneous Aids to Merchandising. Departmentalization. Examples of Further Dissections. Price Lining. Basic Stocks. Staple Lists or "Never-Out" Lists. Model Stocks. Control of Slow Selling Goods. STOCK CONTROL: 1. Periodical Physical Inventories. 2. The Perpetual Inventory. 3. Unit Stock Control. VARIETIES OF STOCK CONTROL: 1. Individual Unit Stock Control. 2. Reserve Stock Control. 3. Measured Goods Control. 4. Order Record Control. 5. Tickler Control. Unit Control Forms and Their Use."

It is evident that such brief treatment of important subjects does not permit a critical or detailed discussion. The author, however, has included a bibliography for each chapter which supplies references to detailed treatments of the subjects discussed. In addition the value of *Retail Store Operation* has been greatly enhanced by thirty-five pages of questions, problems, and projects, which are particularly valuable for written exercises and for the basis of class discussion.

There has been a tendency for most books on retailing, including general texts, to emphasize department store operation at the expense of other forms of retailing. The reason, of course, is that most of the research work in retailing has been in this field, and some of the most skilled if not the most profitable merchandising is found in this field. Although Dr. Nystrom draws heavily from department store experience, he has taken much of his illustrative material and pointed a good part of his discussion to the operation of the small general store, the independent specialty store, and the chain store. In this respect, *Retail Store Operation* is outstanding and will appeal to teachers who want to present material on all the more important types of retail institutions.

Dr. Nystrom has made extensive use of figures, tables, and charts which total more than twenty per cent of the pages in the book. Little consideration, however, is given to these materials in the rest of the text. In most instances one of these receives merely a passing reference in the discussion. Although the figures, tables, and charts are pertinent to the discussion, many are not an integral part of the text, and to the reviewer, at least, there appears to be some lack of unity which could be overcome by more detailed consideration of this illustrative material. These criticisms, however, are minor in comparison to the many desirable features of the book, which make it one of the most valuable of the new books in retailing.

E. H. Gault
University of Michigan

Tax Systems of the World, Seventh Edition. Edited by The Tax Research Foundation. 420 pages, 12x15 inches. Chicago and New York: Commerce Clearing House, Inc. $8.75.

With the world's tax bill now totalling an estimated 48 billions a year, the where and how and why of taxation become questions of paramount importance.

To these questions, this new Seventh Edition of *Tax Systems of the World* brings concise, authoritative answers. In large-scale charts and tables it gives the essential facts and data about the tax systems of the Federal Government; each of the 48 states, Alaska, Hawaii, Puerto Rico, and the District of Columbia; and more than 60 principal foreign jurisdictions throughout the world. These show at a glance the base, rate, collection, and administration of the various taxes levied, as well as a wealth of related factual information.

For business and professional men, legislators, taxing authorities, tax officials, legislative reference librarians and other workers in the field, this work presents a panoramic picture of the present status of taxation generally, in addition to unique "close ups" of the tax system of a particular state or country, or the taxes levied by all states on a particular activity, commodity, etc.

Its comprehensive collection of detailed statistics for all the states and the principal countries makes *Tax Systems of the World* an invaluable reference and source book. Charts cover National, State (or Provincial) and Local Tax Revenues, Tax Burdens as Measured by Ratio of Taxes to National Income, Growth of Debts and Expenditures, Political Systems, Budget Systems, Economic Data and other pertinent facts and figures. Valuable, too, are the "Model Tax Charts"—summarizing replies of specialists in taxation and public finance to a questionnaire soliciting the essential factors in the "ideal" tax system.

The facts and figures are the latest and most complete available. Full effect has been given to the new tax laws, new rates and other changes enacted by the 66 sessions of the 46 state legislatures held in 1937. Prepared under the direction of the New York State Tax Commission with the collaboration of 300 tax authorities in this country and abroad, this new work is authoritative and dependable.

Marketing men should find much material of interest in this volume. Of special importance to them should be the data on chain store taxes, excise taxes, retail sales taxes, and special taxes on certain commodities.

Theo. N. Beckman
Ohio State University

My Adventures in Selling, by Saunders Norvell. Chicago: The Dartnell Corporation, 1937. 211 pp. $1.75.

This book is written by a man who has had a successful record as a salesman, sales executive, and president of three internationally known American companies. In this book, Mr. Norvell relates a series of experiences, each of which describes a sales achievement or sales anecdote. He recounts his successes as well as some of his failures. He also tells the achievements of other salesmen.

This book is not intended as a textbook but it can be used as supplementary reading for students using a standard text because it relates specific instances. Furthermore, in many cases the author shows how his story illustrates a sales principle.

Salesmen are apt to repeat successful methods until repeated use dulls their effectiveness. The reading of this book should help salesmen to use their imagination to develop new and dramatic methods to increase their sales. The author cites a number of difficult cases and the ways in which approaches were made and sales consummated. These cases should give salesmen confidence in meeting their own difficulties.

The latter chapters should be of interest and value to sales managers. For example, in Chapter XV, "Mr. Fairly Well," the author discusses ways in which the average salesman's productivity can be increased with more profit to himself and to his company. Chapter XVI, "Every Man Needs a Manager," emphasizes the need of selecting salesmen who have intelligence and adaptability.

Salesmanagers will also find Chapter XVII, "The Salesman and His Pay Check," of interest because the author discusses the desirability of paying salesmen on a salary and bonus plan based on profits.

Mr. Norvell clearly distinguishes between unloading and selling. He says "All permanent business is based on confidence and confidence must be earned. . . . A salesman should find out, first of all, exactly what his customer needs and wants." (p. 182) Again, "What counts in salesmanship is plain, old-fashioned honesty, combined with knowledge of one's business and a sincere desire to help the customer." (p. 185) Further, "My whole work in selling has been along the lines of studying the customer's problem, becoming thoroughly familiar with his business and its needs, and then attempting to convince him that I can help him." (p. 189) It is well to see this point of view formulated by a successful sales executive as many students and salesmen are apt to consider the service concept in selling as "theoretic" rather than practical.

There are two hundred pithy quotations from "Mike Kinney, Teamster," the name under which Mr. Norvell edited one of his successful house organs, toward the end of the book. "The Merchant's Ten Commandments" and "The Salesman's Ten Commandments" close the book.

This book is an excellent contribution to the inspirational type of sales literature based on successful sales experience.

Arthur E. Albrecht
College of the City of New York

How to Succeed in Retail Selling. By Ray Morton Hardy. Harper & Brothers, 1938. 190 pp. $2.00.

This is a presentation of a subject often appearing as retail or store salesmanship. The book is an outgrowth of the author's fifteen years of experience in training salespeople, and it is designed to be used as a textbook for classroom teaching and for instruction of store salespeople in groups. The inexperienced salesman searching for a book which will give him a quick glance at the high points of the technique of his occupation will find this book of use. Its chapters and paragraphs are short. An appendix contains review questions primarily based on the chapters. A few class projects are also included.

The traditional subjects found in books on retail salesmanship are discussed. Knowledge of the merchandise, buying motives, store organization, customer types, the approach, objections, closing, suggestion selling, and personality are treated under chapter headings designed to entice the reader. No attempt is made to discuss these subjects completely, and the author must have found considerable difficulty in withholding from the book many pointed illustrations from his experience.

No doubt several different organizations of the book were considered before the final one was chosen, but it is not readily apparent why the brief chapter on store organization is introduced after the question of what is good retail selling has been raised and the subjects of psychological stages and buying motives have been mentioned. By this time it would seem that the interest of the inexperienced salesman in the technique of his new occupation has been aroused to the point where he may be eager to learn more concerning it. This interest receives a jolt by a discussion of store organization, but the shock is eased because of the briefness of the chapter. Store organization might well have been given last place in the book. Instead, two chapters on personality appear as last and next to last. A discussion of the personality of the salesman never fails to arouse interest and it would seem best to introduce this subject very early in the book.

Some question may be raised about the method of selling as illustrated on pages 60 and 61. It is true that in purchasing a suit a decision must be reached on price, color, model, fabric, and pattern, but it is probably not good salesmanship at the opening of the sale to ask as suggested by Mr. Hardy, "Do you have some particular suit in mind?" It is entirely possible that the customer has not made a definite decision, but when asked this question he may make a decision and there is no suit in stock which will fit his specifications. From the point of view of the salesman it is easier and more desirable, in case the customer does not volunteer definite specifications, for the salesman to select what he believes will be most satisfactory for the customer.

Fred M. Jones
University of Illinois

Business Cycles and Forecasting, by Elmer C. Bratt. Chicago: Business Publications, Inc., 1937. xiii, 501 pp. $3.50.

The purpose of this book is to explain: (1) Causes of economic change; (2) methods available for their measurement and (3) technique and soundness of the methods available for forecasting change.

According to the author there are three types of variations in economic activity, namely, seasonal, long time trend, and cyclical. Seasonal fluctuations are the result of such factors as weather, custom and specialized output. Elimination of seasonal variations through (1) off season production, (2) diversification of products, and (3) aggressive sales methods are rightly deemed by the author to be socially unsound.

The long time trend represents successive normal levels of quantitative production. Twelve factors influencing change and creating the long time trend are discussed. Included in the group are population, savings, and improved marketing methods.

The business cycle represents recurrent upward and downward movements in business activity. These movements are created and motivated by (1) originating causes and (2) business responses. Illustrative of the former, creating economic unbalance are wars, legislation, invention and weather. Business responses result from decisions of entrepreneurs which motivate forces prevailing in the period. This tends to drive business in the direction it is headed or creates self-limiting forces which reverse the direction of the business movement. The business cycle results from a combination of both originating causes and business responses. Neither factor alone is sufficient to initiate a cycle movement. None of the many theories by representative writers attributing the business cycle to a single cause can be accepted The interrelationships of business are so great that numerous forces are required to generate the cycle.

The Business cycle attained its modern characteristics following the industrial revolution. The discussion of the history of the business cycle, particularly in the United States, is very complete.

The severity of the cycle is measured by the proportion of the unemployed to the number gainfully employed at normal levels of business. It is the author's belief that the severity of the cycle will become greater because of: (1) rigidity of the price structure, (2) increased demand for durable consumer goods, and (3) inefficient institutions—some being a drag upon social progress, which are now prolonged by government subsidies.

The author indicates that the many proposals to regulate the business cycle have been ineffective because of unsoundness and poor execution. The business cycle is the best method known for redistributing wealth and correcting unsound economic conditions. It becomes socially undesirable when it is so prolonged that labor suffers from extended unemployment.

The discussion of the statistical indices available for the measurement, interpretation and forecasting of business is excellent. Since no method exists for predicting originating causes nor for measuring quantitatively the relative strength of the forces tending to support or reverse the general direction of the business movement, it is impossible to forecast accurately the future of business. Moreover, if this information were available a perfect forecast would not be possible.

The author concludes with a discussion of the problems involved in forecasting the prices of agricultural commodities and common stocks, and the importance of predicting economic change. Long time trend forecasting would provide an explicit statement of conditions at balanced levels of business. The unbalance produced from ignorance would be reduced. The flow of capital could be regulated to prevent (1) the construction of excess productive facilities in any given industry, and (2) over-concentration of construction in the prosperity period.

The book is a comprehensive discussion of an involved subject. The author has organized, interpreted and systematically presented in a scholarly manner significant materials on a timely subject. A knowledge of statistics would be helpful in a thorough understanding of a few chapters. The questions and extensive bibliography at the conclusion of the chapters are helpful and encourage further study. The book is adaptable as a text in the field and useful to students of marketing for the broad knowledge it provides on an increasingly important topic. The author has made a definite contribution to the limited literature in the field of business cycles and forecasting.

E. B. O'Leary
University of Dayton

Financing the Consumer, a report of a conference on Consumer financing held at the University of Chicago, May 20-21, 1937. Edited by Professor John H. Cover. Studies in Business Administration, Vol. VII, Number 4, 112 pp., University of Chicago Press, $1.00.

Since *Financing the Consumer* is a conference report it does not attempt to cover the entire field in a thorough textbook fashion. Some phases of the problem are treated lightly or not at all while others are considered in several papers.

The volume is recommended as supplementary reading for the elementary student or for those who wish to observe the point of view of practical business men upon this important subject. A reading of the monograph leads one to observe that consumer financing and consumer debts play a very important part in the social and economic life of today and that, up to the present, we know all too little of the ultimate consequences of credit movements among consumers.

Several of the authors point out that consumer debts are not self-liquidating and that, therefore, if not carefully budgeted, they place an unconscionable burden upon future earnings and future purchasing power. Another author suggests, however, that "selling on credit unquestionably provided a substantial buying power and thus enlivened a dormant demand for consumer goods in the capital class." The viewpoints of the several writers cannot, therefore, be reconciled.

The first two articles in the volume deal with the economic theory of consumer credit. Mr. Nugent reviewed, ". . . the theoretical discussions of the last decade concerning the influence of consumer credit on the business cycle. . . ." He concluded that consumer credit expansion and contraction probably accelerate booms and depressions but he left unanswered the question of whether the movements of consumer debts have any initiating influence upon the business cycle.

Mr. Bodfish discussed the place of thrift in our economic life. One suggestion of the author appears very timely in the face of today's tendency for many to kick capital and capitalists out of the economic picture. "Thrift and saving in the sense of immediately consuming less than produced are essential under communism, socialism and fascism as well as capitalism" said this writer. As simple and logical as this statement appears, it seems not to be taken account of by some who should know better.

Another writer submitted a study of financial failures of consumers to show that unwise credit granting to consumers is in part responsible for the difficulty. Another pointed out the value of consumer budgets as a means of cutting down unwise credit.

Mr. Foster presented an interesting discussion on the theory of the debt-assuming capacity of a family and pointed out that, in view of the increasing tendency on the part of credit granting agencies to expand the credit base, families should be educated to use budgets to control their expenditures.

Professor Cover presented a paper on "Consumer Failure and Rehabilitation" in which he summarized a number of case studies dealing with the causes of consumer failures. Haphazard assumption of responsibility beyond the possibilities of income, speculation in real estate, home speculation and stock speculation were named as important factors. Excess retail credit and installment purchases were named as causes associated with a large percentage of bankruptcies.

Two conference speakers, in discussing the place of government in relation to credit problems, agreed that the federal government should have no part in financing consumers but should act only as a supervising and regulating agency.

Recent activities of commercial banks in financing the consumer were presented by Mr. Dudley Cates while Mr. M. G. Penticoff discussed some "New Developments in Financing Consumer Purchases of Merchandise." The adequacy of financing service, from the standpoint of available credit terms and final costs, was reviewed by Mr. C. R. Orchard.

In a paper entitled "The Cost to Business and the Charge to the Consumer," Mr. Wilford L. White analyzed the actual costs of credit financing. The items of credit office expense, bad debts and interest on accounts outstanding were shown to amount to a reasonably large figure.

L. E. Hoffman
Drake University

PRINCIPLES OF MONEY AND BANKING, by Russell D. Kilbourne and George W. Woodworth. Revised Fourth edition, McGraw-Hill Book Company, Inc., 1937, 513 pp. $3.50.

The field of money and banking, while normally considered separate from that of marketing, nevertheless impinges upon the latter at a number of points. Students of marketing, for example, devote some time to the examination of financing as one of the recognized marketing functions and yet financing is primarily a function of commercial banking. Again there would seem to be some apparent overlapping in the study of commodity markets, especially when gold and silver are the commodities. Students of currency and banking have developed a substantial amount of literature on money markets, a subject which is as important in many respects as commodity markets, and possibly of as legitimate interest to the general field of marketing. In the field of foreign trade or international marketing, the problem of foreign exchange always looms large. Here too is a subject of interest at once to students of money and banking and of marketing.

In his new revision of Professor Kilborne's well-known text, Professor Woodworth has found it necessary practically to write a new book. Certainly the stamp of the latter's scholarly thinking in his field appears throughout the new volume, and ten out of the twenty-seven chapters are entirely new. It is not the purpose of the present reviewer to attempt to appraise the volume as a contribution to a field in which he has no claim to peculiar competence. It appears to him to rank well among the leading texts with which he is familiar in the field of money and banking. In this review the intention is rather to call attention to certain chapters and sections which should be of special interest to students of marketing and to business men engaged in marketing.

Chapters III and IV which deal with the value of money and its relation to the price system are excellent brief treatments of a subject of widespread interest and importance to business men as well as scholars. Professor Woodworth points out the limitations upon any special concept of the value of money, stating that (p. 23): "The whole price system can scarcely be compressed into one summary figure without departing dangerously far from realities." He shows a realistic appreciation of the distinctions between wholesale and retail markets but does not go as far as this reviewer would like in discussing the composition of the wholesale market and wholesale prices. He is inclined to agree with J. M. Keynes that retail prices are "basic in a deeper sense than other elements of the price system" in measuring the value of money. In discussing general price indices he is careful to point out that, since a general price index "averages out the numerous logical subdivisions of the price system" it approximates "a mere mathematical abstraction." There is room for constructive research and analysis of these "numerous logical subdivisions of the price system," and particularly wholesale prices where the labyrinth of confusing complexities have long retarded scientific investigation.

Professor Woodworth's excellent analysis in Chapter IV of the effects of price changes on the various component groups of the business world should be of interest to many of our readers. He combines factual data with his theoretical analysis, although there is some evidence of a reliance on secondary sources, where recourse to original statistical documents would seem to be preferable.

Marketing students and practitioners alike might study with profit the discussion of commercial banking functions and operations in Chapters VIII and IX, since commercial bank lending is the other side of the shield from borrowing by manufacturers, wholesalers, and retailers. While department stores are used to illustrate the commercial banking function of short term loans for working capital requirements, there is no discussion of the substantial volume of financing engaged in by manufacturers and wholesale distributors and the relation of such financing to the lending activities of commercial banks. Nor is there indication of familiarity on the part of the author with the growing volume of literature in the field of commercial credit extension and collections.

The author does, however, comment briefly on the indirect support of consumer financing through the commercial bank loans to retailers (p. 326). The analogous but probably much larger field of indirect financing of retailers by wholesalers and of small-scale manufacturers by wholesalers appears not to have engaged the author's attention.

The discussion of the causes of the declining importance of commercial loans (p. 319), however, is enlightening and indicates the incidence of changing marketing practices on the banking system. The operating merchant and the specialist in marketing, moreover, will find the chapter on commercial banking very lucid and enlightening.

Considerable space is devoted to an explanation of the Federal Reserve System and to an analysis of recent monetary and banking legislation.

The brief discussion of consumption loans in Chapter XIX should provoke the interest of marketing students. Direct consumer loans by commercial banks are examined as well as small loans, finance company lending, and installment credit. More recent estimates of the total volume of installment credit might have been cited. An excellent chapter on foreign exchange followed by two chapters dealing respectively with depression and post depression banking developments conclude this generally well-written study of money and banking.

N. H. Engle
Bureau of Foreign and Domestic Commerce

An Index to Business Indices, by Donald H. Davenport and Frances V. Scott. Chicago: Business Publications, Inc. 1937. 187 pp. $3.00.

Persons interested in measures of changing business conditions should welcome this book because it satisfies their increasing need for a time saver in finding the many important general and specialized index numbers now available. It is a compilation of sources rather than of charts and numerical data.

There are two parts: (1) a Finding Index and (2) descriptions of the various index numbers and indices. The Finding Index classifies them into three sections: (1) commodity prices (wholesale and retail commodity prices, building costs, living costs, and purchasing power), (2) security prices and yields (bonds and stocks, both general and numerous groups), and (3) general (including business activity, production, distribution, labor and finance).

By looking under any subject, one may find whether a weekly, monthly, or annual index is available and where it is described in Part II. The latter comprises four-fifths of the book and provides standardized information regarding each index, including title, compiler, period covered, frequency of publication, where published currently, and a description of its construction and composition. This enables the user to select the index number of most value for a specific purpose.

Market analysts will find this reference work especially helpful in disclosing sources of information relating to many products, industries, and purchasing power, both nationally and regionally. Those charged with the responsibility of evaluating general sales performance, setting sales objectives, and budgeting selling and advertising expenses should make this book a companion to sources of regional market indicators, such as the *Market Data Handbook* of the United States.

Donald R. G. Cowan
Swift and Company
Chicago, Illinois

Problems in Agricultural Marketing, by Deane W. Malott. New York: McGraw-Hill Book Company, Inc., 1938. xiii, 410 pp. $3.00.

This volume marks the entry of the Harvard problem books into the field of marketing farm products. A book may be judged by the objective which the author sets for himself and his success in reaching his objective. The author says: "The group of cases comprising this volume is intended to present concrete material for analyzing the problems faced by those engaged in the various phases of agricultural marketing. . . ." In 395 pages of problems the author presents illustrative material on the marketing of such products as wool, lambs, avocados, sugar beets, cotton, soybeans, eggs, poultry, butter, tobacco, walnuts, rice, meat, milk, fruits, vegetables, and livestock. Farm products are usually marketed by specialists. A person engaged in marketing cotton has little interest in marketing milk or grain while one engaged in marketing citrus fruits has little interest in tobacco or soybeans. It is apparent that this book does not contain enough material on any one product to be of any considerable use to those engaged in its marketing. If, however, the book is intended for students in schools, it may have considerable value.

The material covers a wide field and on the whole seems well selected, and well presented. (One can, of course, always find minor errors if he looks for them.) The material covers country markets, central markets, future markets, roadside marketing, auctions, coöperative enterprises, coöperative advertising, storage and transportation, financing, purchasing by processors, and a national agricultural policy.

A criticism of most of the books on marketing farm products is that they are largely descriptive. Professor Malott attempts to overcome this defect and introduces a critical attitude by the questions at the end of his problems or "cases." Yet much of the material is descriptive and in many cases after the material is presented a few general questions are asked much as is done at the end of chapters in conventional textbooks. One trouble seems to be that to many of these questions there is no one right answer. For example, should a farmer sell to a local buyer, consign, or sell through a coöperative association? In some cases, the problem material may present a definite enough situation to enable one to say that a particular method should be used. However, in the reviewer's opinion, about all that can be done in many instances is to discuss the relative merits of the various methods.

The idea of personalizing the material may be valuable in securing the students' interest. To say that Henry Sands has wheat to sell and building the material around his problem adds an element of human interest. Commerce students usually have little interest in farm products and if this book helps to secure their interest it will prove valuable. Teachers in colleges of commerce, however, want little material on the marketing of farm products; yet the volume supplies valuable reference material for both students and teachers. It should be especially valuable as a reference to teachers of agricultural subjects in high schools. The book contains definite factual material, on details more likely to be included in books of readings than in conventional textbooks. For example, contract between grower and mill for the sale of sugar beets. Such information is valuable to academic men.

The reviewer found the book well written and interesting. The book will probably find its chief use as a text in courses in the marketing of farm products. We will await with interest its reception and use in such courses.

P. D. CONVERSE
University of Illinois

THE ECONOMICS OF COÖPERATIVE MARKETING, by Henry H. Bakken and Marvin A. Schaars. New York: McGraw-Hill. 1937. pp. 583. $4.00.

The authors, members of the staff at the University of Wisconsin, bring together in one volume a wide range of information relating to the coöperative movement here and abroad. They have traced the coöperative thread throughout the web of economic history and made readily available innumerable facts concerning coöperation in a number of important countries.

The purpose of this book is to present a comprehensive statement of the "basic philosophy, the decisive principles, and the practical methodology of coöperation." The term *marketing* as used in the title includes both sides of the transaction, buying as well as selling. Since, according to the authors, approximately 85 per cent of the coöperative business of the United States is conducted by farmers' cooperative sales associations, chief consideration is given to this phase. This does not mean, however, that consumer coöperation is overlooked. Very properly the authors distinguish between agricultural coöperative purchasing associations dealing in producers' goods and consumers' coöperative associations dealing in consumers' goods. Concerning the latter, they state: "The interest of the member in such an association is that of a consumer, not that of a workman, and emanates from the home, not from the workshop, the mine, or the farm."

This work is divided into five parts: (1) the evolution of coöperative buying and selling, (2) the economic philosophy of coöperative marketing in the United States, (3) legal considerations, (4) functional relationships, and (5) coöperation in perspective. In Chapter X, dealing with "Membership Relations," the authors, drawing upon the field of social psychology, have in a masterly way laid the basis "for scientific approach to shaping and directing membership policies." Adopting the five leading motives which influence man's economic action, as listed by Adolpf Wagner, the German economist, Bakken and Schaars show how the coöperative association may better serve the needs of individual members as well as convert man's egoistic motives into social gains. Legal Considerations, Part III, dealing with laws and membership contracts, and Functional Relationships, Part IV, having to do with management, financing, pooling, sales policies and plans for the control of production and distribution, are directed almost wholly to the problems of farmers' coöperative associations.

As to the outlook for coöperative activity in the United States, the authors believe that the "greatest possibilities of improvement in the marketing system for the coöperative lie between the farm and the retail market. . . . Margins of most wholesalers and jobbers are already narrow and those of retailers have been narrowed considerably since the advent of chain store distribution so that it would be difficult for a coöperative to make a 'showing' in these fields."

The work as a whole is exceedingly well done. This does not mean, however, that one by any means is always in complete agreement with the expressed views of the authors. With their economic philosophy of coöperative marketing in the United States, many readers probably will not find themselves in accord. Surely agricultural coöperators in this country will challenge the statements that coöperation is a synthesis of the laissez faire system of economy and of a planned economy," and that "it is a direct challenge to the private profit system." At times one is a bit confused to know whether the authors advocate the "coöperative state" or merely present the arguments of crusaders for it. Denmark is not a coöperative commonwealth despite its stated "preeminence among coöperative commonwealths." True, The Equitable Pioneers' Society has grown from a membership of 28 in 1844 to more than 40,000 in 1936; but "their yearly business transactions" can in no way be shown by data relating to the growth of the Coöperative Wholesale Society of England.

Notwithstanding possible contradictions relative to the philosophy of coöperation, and a few erroneous statements, this is indeed a meritorious work. Moreover, it is a readable, teachable textbook. A concise statement at the beginning of each chapter points the way to the student, and a list of thought provoking questions at the end of each chapter aids him in making the application. Those engaged in coöperative activity will find this book stimulating and instructive. It is a valuable contribution to coöperative literature.

F. F. LININGER
The Pennsylvania State College

SALES ANALYSIS FROM THE MANAGEMENT STANDPOINT, by Donald R. G. Cowan. Chicago: University of Chicago Press, 1938. 210 pp. $2.00.

Sales Analysis from the Management Standpoint is not a book to be read understandingly by immature students of marketing or the garden variety of salesmanagers. It is a scholarly work whose relatively few short chapters are solidly packed with "evidence" from beginning to end.

The author states that the purpose of his book is "to reveal tendencies and develop principles which may guide management in planning market operation." The particular function of management which is stressed is that of determining and applying standards of sales performance in the effort to earn profits. It should be said that Dr. Cowan has given no attention to the problem of determination of market territory. He assumes that the salesmanager has an area within which sales operations are carried on.

The first part of the book is given over to the formulation of principles involved in sound sales analysis, together with a detailed description and examination of the elements or factors out of which these principles have been developed. In support of their validity, numerous examples of the results of field investigations are shown, covering a wide range of situations. The author continually strives to make clear that market determinants consist of a combination of many factors, often complex in nature, and only to be revealed by careful statistical processes. But Dr. Cowan is not content with assertions and generalizations. Proof is supplied by the use of many charts, tables, graphs, and complete documentation as to sources drawn upon. Upon the basis of factual material thus presented, the author criticises the traditional view that certain regional indices measure sales possibilities in general. He holds that high index values do not signify potentially high sales, regardless of product, because so-called "fundamental conditions" affect different products differently.

In the second part of the book attention is given more particularly to the factors involved in sales performance. Here the central thesis is that to estimate and direct sales, a thorough understanding of consumption is the primary requisite. That is to say, "the analysis of consumption merges into that of sales when it undertakes to aid business management by revealing the demand of various consumer groups." It is pointed out that there are many influences which tend to modify consumptive rates and to complicate efforts to measure them. The author discusses such factors as regional prices, durability or perishability of goods, competition, employment, selling and advertising effort, and many others.

This book is a distinct contribution to the literature in the field of sales management. It may be that the problems it raises and the solutions offered appear too complicated to readers not well grounded in or entirely unfamiliar with the statistical method and the correlations the author has used. Nevertheless, it points the way to a better understanding of markets and marketing, by the application of scientific analysis to the problem of the distribution of goods.

ELMORE PETERSEN
University of Colorado

HOW TO SELL THROUGH WHOLESALERS, by E. B. Weiss and Carroll B. Larrabee. New York: Harper & Brothers, 1937. $2.75.

A practical book by practical men that should be read by the sales manager of every organization manufacturing for the consumer market. Without delving into the theory or economics of distribution, the authors present a factual picture of wholesaling conditions and wholesalers' attitudes and feelings. The book will enrich the background of any one who must plan and direct the flow of merchandise from the manufacturer to the consumer through wholesale and retail channels. Furthermore, the better understanding of the wholesaler, his problems, and his methods of operation which this book makes possible should be of immediate value to manufacturers. Material presented is in large part "case history," drawn from the experience, observation, and investigation of the authors.

The successful manufacturer assumes that his jobbers must be "babied, coaxed and coddled"—that they must be shown how to make every move he would like them to make. This assumption logically proceeds from the authors' conclusion that 80 to 90 per cent of the jobbers in this country are merely warehousers and physical distributors.

In a discussion of "The Jobber's Bill of Complaint," "The Jobber's Attitude Toward National Brands," and "The Jobber's Attitude Toward Private Brands," it is emphasized that there is still a real basis for complaints and attitudes which have long been publicized but not yet corrected. The authors go a step further, however, to show how manufacturers can cope successfully with problems of this kind.

An excellent discussion of the "exclusive jobber," of "Del Credere merchandising," and of the "Voluntary Chain" is presented. Notes and information on actual working practices are given which should be especially valuable to manufacturers who are considering one or more of these methods in their distribution program.

Manufacturers frequently fail in those activities which involve direct relationships with jobbers' salesmen. The pitfalls in contests for jobbers' salesmen, "P. M.'s" for them, manufacturers' representation in jobbers' sales meetings, and in the use of missionary salesmen are discussed thoroughly. Fortunately, also, methods of avoiding such pitfalls are just as clearly presented. The "test" suggested for a sales contest is typical—"Read the description of the contest to one of the underlings in your office. If it takes you more than five minutes to read it, and if it requires any special explanation, you had better work over it some more—your contest needs simplification." Closely allied to special deals, "P. M.'s," and contests, is the merchandising of advertising material. How can the manufacturer insure that at least a part of such material will be actually used as the manufacturer intended? How can he secure the coöperation of his jobbers and the jobbers' dealers? These problems are carefully discussed.

With respect to the questions of "How the Jobber Stands Today" and "Jobber Problems of the Future and How They Affect Manufacturers" the authors point out that in spite of the sweeping changes that occurred in the distribution picture during the depression, which began in 1929-30, the American wholesaler has come through the last seven years still one of the most important factors in distribution. And now with the passing of the Robinson-Patman Act he is politically more important than he has been in some years. Incidentally, the commentator agrees that the Robinson-Patman Act is likely to prove a mixed blessing for wholesalers, and that most of the basic problems of wholesaling can be solved without legislation. One answer with respect to the future of wholesaling lies in the statement, "The fact that wholesaling during the last twenty-five years has advanced so far and so rapidly is the most encouraging sign that the wholesalers in this country will be able to meet their future problems, wisely, efficiently, and profitably." This answer, however, is not quite in accord with the picture of the inefficient wholesaler which the authors present in the early chapters of their book as representative of 80 per cent of present wholesale jobbers. The commentator would certainly agree that.... "In the long run the wholesaler must depend upon his own merchandising ability and business brains."

If one might summarize the recommendations to the manufacturer for his plans and activities with respect to the wholesaler that summary would be—"Condense and Simplify." For those who must constantly deal with wholesale distributors and their salesmen the book is full of timely notes, and usable suggestions.

John M. Rae
Appliance & Merchandise Department
General Electric Company

C.—Digests of Some Leading Articles on Marketing from Trade Publications

By Henry A. Burd, *University of Washington*

Why Most Retail Prices Will Escape Control Under Fair Trade, by E. T. Grether. From *Printers' Ink,* February 17, 1938.

In Great Britain resale price fixing has been employed without serious legal obstacles since 1890. Typically, prices are controlled by powerful combinations which would be contrary to law in this country. With these advantages, plus a smaller population, fewer retailers, and a limited geographic area, in Great Britain, price fixing is measurable in only a limited number of lines and affects not over 12-15 per cent of the total retail trade.

In California, our pioneer fair trade state, effective price control represents a much smaller percentage than in Great Britain.

The extent of resale price fixing in the United States will be influenced by the following facts: Unidentified goods, approximately 50 per cent of the total retail business, are not legally subject to control under the acts. Producers' or owners' marks on many products are merely passive symbols of identification and not active selling instruments. In many instances the producer's interest in his mark does not run beyond the initial purchaser. Unless the producer is willing to take the first step, no legally enforceable system can be set up. Fair trade laws cannot effectively apply to perishables, style lines, finished goods affected by prices of raw materials, the second-hand market, and lines which bulk large in the consumer's budget and in which a small price rise will divert demand to another product. Manufacturers' attitudes will be influenced by the quantity and quality of demand for control, and by the expense and nuisance of enforcement.

An Advertising Critic Speaks Up, by Dexter Masters. From *Advertising and Selling,* February, 1938.

Advertising is a powerful instrument that can accomplish bad as well as good; it is all force and no control. Three methods of control are: self-regulation, involving the user; consumer organization, involving the used; and government regulation, involving both user and used.

Self-regulation works only slightly on the surface, and seldom sets up penalties which are applied. "Enlightened self-interest" is not likely to make much of an impression, inasmuch as there is always a conflict between the buyer's and seller's interests.

Government regulation seems to be the most logical, but it has proved to be ineffectual and unsuccessful in serving the consumer's interests.

Consumer organization may be biased since it represents the interests of the buyer, but it contends that it has the right to challenge and check the representatives of the seller, who have demonstrated the inability or unwillingness to correct their own faults.

The Status of Advertising Abroad, by L. D. H. Weld. From *Printers' Ink.*

Following a visit to Europe last summer, Dr. Weld has given his impressions of the status of advertising in a series of articles beginning November 18, 1937, with "Germany's Iron Rule over Advertising Does What in the United States Is Done Voluntarily." He explains the philosophy underlying government regulation of advertising in Germany, discusses the abuses which the regulation sought to correct, and states the provisions of the law of 1933. "When the Nazis Did One Good Job: They Eliminated Advertising Abuses," December 9, 1937, discusses the effect of the law of 1933 and subsequent edicts on the operation of advertising in Germany. In "French Advertising, Judged by American Standards, Seems Backward," January 27, 1938, Dr. Weld calls attention to the lack of accurate circulation figures and to the prevalence of bargaining for space rates. "English Advertising Shows Real Progress in Quality As Well As Volume," February 10, 1938, highlights advertising volume, newspapers and magazines, outdoor, radio, agencies, and market research in Great Britain.

I Asked 100,000 People What They Read in Newspapers, by George Gallup. From *Advertising & Selling,* January, 1938.

Six years ago an article reported on 40,000 interviews with the adult readers of 14 metropolitan dailies. The study has been continued and this report covers nearly 100,000 readers of 40 daily papers. The typical Gallup method was used in the survey. The more recent studies show a high correlation with the earlier findings. The average deviation for 38 items is only 3 per cent.

Significant changes in the last 6 years are (1) the reading of radio pages has increased substantially; (2) the number of people reading comic strips has remained constant, but increased specialization in appeal and increased number of strips has caused the reading of the typical comic strip to be reduced.

Tables show the percentage of readership for each feature, e.g., One or more news stories 96 per cent; Picture page 90 per cent; Comic strip 76 per cent; Best Department Store ad 72 per cent; Amusement ads 55 per cent.

Co-ops Gained 20 Per Cent Last Year. From *Business Week,* February 26, 1938.

In Finland consumer coöperatives do about 25 per cent of the total retail business, in England and Denmark about 15 per cent, in Sweden 10 per cent, and in the United States about 1.5 per cent. The exact dimensions of the movement in the United States are still unknown, however, though that situation is expected to be cleared up by the long-promised survey by the Bureau of Labor Statistics.

Graphs and Statistics

Marketing men will be interested in the graphic and tabular presentation of information which appears as a regular feature of *Printers' Ink Monthly* and *Sales Management.*

The *Printers' Ink Monthly* Market Explorations feature a double spread map of the United States with counties shaded or colored to show their relative standing. Tables follow with figures for the counties, by states arranged alphabetically. In January "Automotive America" was depicted. From the Census of Business total expenditures through automotive retailers and filling stations were tabulated by counties. In February "Electric Power in the Home" presented, by counties, the number of wired homes, the per cent of families, and the cost of current. The March issue showed "County Average Income Per Farm, 1937," with details for the number of farms, value of land and property, gross income, and average farm income.

Sales Management's Marketing Pictographs are colored graphic presentations of facts of marketing significance gleaned from government bureaus, publications, research agencies, and other sources. The following titles, with the source in parentheses, selected from the issue of March 1, indicate the sort of material to be found here. "Are Small Buyers Being Subsidized?" (Cowan); "How Advertisers Split Their Yearly Budgets" (Publishers' Information Bureau and Media Records); "How Big City Families Spend Their Income" (Bureau of Labor Statistics); "Are Markets Places, or Really People?" (McCall); "Where Is Our Export Trade?" (U. S. Department of Commerce).

A.M.A. Notes

ALBERT HARING

The spring meeting of the American Marketing Association is scheduled to be held in Washington on May 20 and 21. Dr. Wilford L. White of the Bureau of Foreign and Domestic Commerce is Chairman of the Program Committee for the Washington Meeting. He will be assisted by A. B. Gunnarson of the Chamber of Commerce of the United States and Dr. Vergil Reed of the Census Bureau as regards local arrangements while Wroe Alderson of The Curtis Publishing Company, Charles J. Brand of the National Fertilizer Association, Dr. Leverett S. Lyon of the Brookings Institution, and Dean W. C. Weidler of the Ohio State University will participate in formulating the program.

The December meeting held in conjunction with the Allied Social Science Societies is scheduled for Detroit between December 27 and 30. Professor E. H. Gault of the University of Michigan will be the A.M.A. representative on the Joint Committee on Local Arrangements. The Program Committee for the December meeting has not yet been appointed but President Clark will welcome program suggestions.

The Board of Directors has approved the appointment of an Executive Committee consisting of President Clark, Ex-president and Director Coutant and Secretary Haring. With the full approval of the Executive Committee, President Clark has appointed the following Nominating Committee for 1938: Professor Paul D. Converse of the University of Illinois (Chairman), Professor Hugh E. Agnew of New York University, Frank R. Coutant of Pedlar & Ryan, and R. A. Balzari of the McGraw-Hill Publishing Company of California. Since the Nominating Committee is required to report to the Board of Directors not later than September 1, suggestions and proposals about candidates should be sent in promptly.

The Research Bureau for Retail Training of the University of Pittsburgh has recently published a study, "Savings in Simplified Wrapping," which illustrates an interesting department store technique of wide application.

The School of Business of the University of Chicago has scheduled a conference on business education for Thursday, June 30, and Friday, July 1. The main theme of the conference is "business as a social institution."

The following new members have been welcomed to our group: John R. Bromell of The Curtis Publishing Company, Chicago; Professor William F. Brown, Jr., of the University of California at Los Angeles; August J. Carson, Manager of the Bureau of Business Research, Pacific Manifolding Book Company, Emeryville, California; Roy K. Cole of Agricultural Trade Relations, Inc., at Los Angeles; Harold G. Cutright of the National Dairy Products Corporation of Chicago; Professor Daniel B. DeLoach of Oregon State College; Bernard T. Dodder, Head of Market Research, Dayton Rubber Manufacturing Company; George E. Fouch of the Goodyear Tire & Rubber Company, Akron; Ross H. Gast, of the Western Growers Protective Association, Los Angeles; Ralph C. Greiner, Manager of Market Research, McGraw-Hill Publishing Company, Cleveland; Arthur W. Gudelman of Logan & Stebbins, Los Angeles; Robert G. Hahnloser of Zurich, Switzerland; Professor Harry L. Hansen of Harvard University; Donald M. Hobart of The Curtis Publishing Company, Philadelphia; Sidney Hollander, Jr., of the Maryland Pharmaceutical Company, Baltimore; William J. Hunt of Straus Securities Company, Chicago; D. Hutchinson, Acting Head of the Department of Economics and Business Administration at West Virginia University; Will S. Johnson, Research Director of Morse International, Inc., New York City; Charles J. Kappler of Pace Institute; Edwin H. Lewis, Instructor in Marketing Department at the University of Pennsylvania; Fred W. Meyer, Vice-president of the Dan B. Miner Company, Los Angeles; Nelson A. Miller, Assistant Chief, Marketing Research Division, Bureau of Foreign and Domestic Commerce; Donald K. Morrison of Chicago; Professor Harold G. Murphy, Department of Economics, Emory University, Atlanta; A.

Lincoln Nassau, General Manager of "The Big Store," Cincinnati; Robert R. Nathan of the Bureau of Foreign & Domestic Commerce, Washington; Dana F. Nelson, Manager, Department of Statistics, Fibreboard Products Inc., San Francisco; Frederick H. Norris of Batten, Barton, Durstine & Osborn, Inc., New York City; C. L. Parry, Research Associate of the Metropolitan Life Insurance Company, New York City; Arthur T. Robb, Editor of Editor and Publisher Company, New York City; J. S. Roberts of the Retail Credit Company, Atlanta; Carl E. Rosenberg of the California Chain Stores Association, Los Angeles; Maxwell I. Schultz of the Willmark Service System, Inc., New York City; Professor Roy J. Smith, Division of Agricultural Economics, University of California at Davis, Calif.; Jean V. Spear, Vice-president of Braun & Company, Los Angeles; Robert A. Sprague of Outdoor Advertising, Inc., New York City; Professor Wayne H. Stackhouse of the School of Business Administration, Indiana University; Kenneth G. Stuart, Market Research Department, Eastman Kodak Company; Professor Gerald B. Tallman of the Massachusetts Institute of Technology; John F. Thomas of Sears Roebuck & Company, Chicago; Professor J. M. Tinley of Berkeley, Calif.; William C. Truppner, Economic Analyst of the Bureau of Foreign & Domestic Commerce; Gordon S. Tuthill of the Globe Phone Manufacturing Company, New York City; Arthur C. Weick of the Arthur C. Weick Company, Chicago; J. Welch of the Crowell Publishing Company, New York City; Harry W. Witt of the Columbia Broadcasting System, Los Angeles; and Eldon Wittwer, Firestone Tire and Rubber Company, Akron.

Local Chapters

The local chapters have been quite active during the winter in Chicago, New York, San Francisco, and Washington. A chapter is in the process of being formed in Los Angeles, where Ford W. Sammis of Lord & Thomas, Inc., (601 West Fifth Street), is taking a very active part. President Clark has appointed Director Frank R. Coutant to take charge of the contact between the national organization and the local chapters and has appointed Vice-president L. E. Scriven to assist in this matter. The 1938 officers, insofar as their names are available at this time, are given below for the various local chapters. In the case of New York, Archibald M. Crossley, (Crossley, Inc., 330 West 42nd Street), is Chairman for 1938 and Lawrence B. Whit (Lawrence B. Whit Organization Inc., 30 Rockefeller Plaza), is Secretary. Donald R. Cowan (Research Department, Swift and Company, Chicago), is President of the Chicago chapter for 1938 and S. Teitelman, (Armour and Company), is Secretary. The other Chicago officers are: Vice-president, C. C. Chapelle; Treasurer, J. J. Martin, and the following directors: R. B. Barton, Leon A. Bosch, Lyndon O. Brown, Elton K. Hartenbower, E. L. McAllister, W. B. Ricketts, C. H. Sundberg, and S. F. Townsend. The San Francisco chapter has elected R. A. Balzari, (McGraw-Hill Publishing Company of California, 883 Mission Street), as President, and W. A. Sturm, (California State Chamber of Commerce, Ferry Building), as Secretary. The other officers are: H. E. Erdman, Vice-president, with E. T. Grether and D. E. Faville, members of the Executive Committee. The Washington chapter has chosen Dr. N. H. Engle, Assistant Director of the Bureau of Foreign and Domestic Commerce, to be its 1938 Chairman, with A. B. Gunnarson, of the U.S. Chamber of Commerce, for Vice-chairman, Irwin M. Heine of the Bureau of Foreign & Domestic Commerce as Secretary-Treasurer, and J. R. Riggleman of the Bureau of Public Roads as Chairman of the Program Committee.

C. C. Parlin, Dean of Market Research Men, Retires

Charles Coolidge Parlin retired from the management of the Commercial Research work of The Curtis Publishing Company on January 21, 1938. This was in fulfillment of a long standing plan of Mr. Parlin's to retire at age 65. Mr. Parlin is much interested in foreign travel and color photography. He has traveled extensively in foreign lands—many trips to Europe, a trip to the Polar Ice Cap, another to the Falls of the Iguazu in South America, another to the Mayan ruins in Yucatan, and a trip around the world in 1934—but he desires time for more leisurely travel, to live outdoors, and to catch up on deferred reading in the humanities.

His immediate plan was to sail on January 21 on the motor yacht *Stella Polaris* for a second trip around the world, visiting the

South Sea Islands, Southern India and South Africa.

Mr. Parlin will receive a retainer fee from The Curtis Publishing Company for which he has agreed to furnish such service as may be desired up to twenty per cent of his time.

Mr. Parlin founded the first work in commercial research. This was for The Curtis Publishing Company in 1911. For more than a quarter of a century The Curtis Publishing Company's Division of Commercial Research under Mr. Parlin's direction has pioneered in the field.

The Division has many firsts to its credit —it was the first to study a manufacturer's markets; the first to make a distinction between convenience goods and shopping lines (1912); the first to prepare a marketing map of the United States showing original sections drawn to include consumers of like characteristics with a per cent valuation for each section (1912); the first to compile a census of distribution report on department stores (1912); the first publishers' representative to use charts in presenting material to manufacturers; and the first to make an every-home survey—that is, to interview every home in a city of consequential size; the first to make a pantry survey—that is, to go into pantries in various parts of the country and taken an inventory of all items on the pantry shelves; and the first to make a dry waste survey—that is, to collect from homes regularly empty cans and boxes and to tabulate the value of their original contents.

Mr. Parlin's report on the automobile industry in 1913 was an important factor in shaping the thought of that industry on selling and advertising. Other outstanding reports of the early period covered Department Store Lines, Foods, Agricultural Implements, Electrical Industry, and Farm Markets. At the present time the Division of Commercial Research of The Curtis Publishing Company is departmentalized with a specialist in Automotive, another in Foods, another in Drug Store Lines, and another in General Merchandise.

On the twenty-fifth anniversary of the founding of Commercial Research (June, 1936) Mr. Parlin was honored by the American Marketing Society with a dinner attended by more than 200 persons.

Mr. Parlin is to be succeeded by Donald M. Hobart. Mr. Hobart shortly after graduating from Wharton School (University of Pennsylvania) entered the Division of Commercial Research of The Curtis Publishing Company and worked in the Division for five years. He then transferred to the Cleveland office of the Advertising Department. He assumes the management of Commercial Research at the age of forty with a broad training both in research and in selling.

Annual Report for 1937 of the Editor-in-Chief of "The Journal of Marketing," Dr. N. H. Engle

A new editorial board was appointed in January 1937 to take over and carry forward the work which Dr. Nystrom had so ably initiated on THE JOURNAL OF MARKETING. The first issue of Volume 1 was distributed in July of 1936 and resulted from the merger of THE AMERICAN MARKETING JOURNAL, which had started in January, 1934, and the *National Marketing Review*, the first issue of which came out in the Spring of 1935. This report covers the work of the new editorial board which took over responsibility for the April issue, Volume 1, No. 4 of THE JOURNAL OF MARKETING.

After accepting the appointment by President Coutant, the Editor-in-Chief of THE JOURNAL OF MARKETING extended an invitation to Professor Roland S. Vaile of the University of Minnesota to serve as Managing Editor.

The following editorial board was appointed:

Professor T. N. Beckman, Ohio State University.

Mr. Jean F. Carroll, Kroger Grocer Company, Cincinnati, Ohio.

Mr. Donald Cowan, Swift and Company, Chicago, Illinois.

Professor E. T. Grether, University of California.

Professor Clyde W. Phelps, University of Chattanooga.

Mr. L. D. H. Weld, McCann-Erickson, Inc., New York City.

Professor John W. Wingate, New York University.

In addition, Mr. Ferdinand C. Wheeler, took over responsibility for the section on Progress in Marketing Research. This was divided into three parts: Research in Universities, which Professor Malcolm D. Taylor, former editor of the section on Progress in Marketing Research, continued to edit, Research in Government

Bureaus, edited by Dr. Edward L. Lloyd of the Department of Commerce. Mr. Wheeler himself took responsibility for the third section on Research in Private Organizations. Professor Beckman served as Editor of the Book Review Section.

The editorial board as a whole has been very helpful in securing articles and in reading submitted manuscripts. Every effort has been made to maintain the highest level possible for the editorial columns of THE JOURNAL. Our rule is that no manuscript is accepted for publication which does not pass muster with at least three members of the editorial board.

There has been noticeable improvement in the flow of articles submitted for THE JOURNAL but more and better articles are needed.

HONORABLE MENTION
FOR RESEARCH

Honorable Mention for research was given in the 1937 Advertising Awards of Advertising & Selling for the study of "Magazine Homes and Branded Merchandise," by the Division of Marketing and Research of Macfadden Publications, Inc.

All of the field work for this study was done by the Hooper-Holmes Bureau, and in his report, Mr. Everett R. Smith, Macfadden Director of Research says, "This organization was selected for the field work because their investigators showed particular aptitude at getting into homes, seeing actual copies of magazines, finding out income, occupation, personal characteristics, and use of various products."

It is the discovery and realization of this ability of Hooper-Holmes men which have caused nearly all users of our service to follow first jobs with many others.

THE HOOPER-HOLMES BUREAU, INC.

102 MAIDEN LANE, NEW YORK